2018 INTERIM REPORT

NEXTEER AUTOMOTIVE GROUP LIMITED
耐世特汽車系統集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

STOCK CODE : 1316

nexteer AUTOMOTIVE

a leader in intuitive motion control

WHY We Deliver Motion Control Solutions

Every day, our loved ones and millions of people around the globe depend on Nexteer to deliver high-quality, safety-critical motion control solutions.

We deliver protection, personality, performance and passion in driving.

We make driving safer, more fuel-efficient and fun for today's world and an automated future.

nexteer
AUTOMOTIVE

a leader in intuitive motion control

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Corporate Profile

Nexteer Automotive Group Limited (the **Company**) together with its subsidiaries are collectively referred to as **we**, **us**, **our**, **Nexteer**, **Nexteer Automotive** or the **Group**. Nexteer Automotive is a global leader in advanced steering and driveline systems and advanced driver assist systems (**ADAS**) and autonomous driving (**AD**) enabling technologies. In-house development and full integration of hardware, software and electronics give Nexteer a competitive advantage as a full-service supplier.

As a leader in intuitive motion control – our continued focus and drive is to leverage our strengths in advanced steering and driveline systems that provide value-added solutions to our customers. We maintain product focus on electric power steering (**EPS**) systems, a socially responsible technology that offers automakers increased fuel economy and reduced emissions. Nexteer Automotive has put more than 50 million EPS units on the road since 1999, saving enough fuel to fill the equivalent of 40 billion water bottles.

Our ability to seamlessly integrate our systems into automotive original equipment manufacturers' (**OEM**) vehicles is a testament to our 110-year heritage of vehicle integration expertise and product craftsmanship. Our culture inspires employees to achieve personal and corporate growth by focusing on the Company's core values across all aspects of the enterprise: people, operational excellence and sustainable and profitable growth.

We seek to be the partner of choice for our customers and suppliers by delivering dependable, safety-critical products and building enduring relationships.

Nexteer provides real-world, vehicle-level solutions by being:

- **Customer Focused**: Respected and trusted for delivering on commitments
- **Proactive**: We listen carefully to understand customer requirements
- **Innovative**: A market leader in steering and driveline innovation
- **Agile**: Able to respond quickly with high-quality, cost-effective solutions
- **Global**: Committed to exceeding customer and vehicle needs every time, in every customer-targeted market

GLOBAL FOOTPRINT

World Headquarters:	Auburn Hills, Michigan, United States of America (**USA** or **US**)
Manufacturing Plants:	25, including 1 non-consolidated joint venture
Technical Centres:	3
Customer Service Centres:	14
Global Customers:	50+, including BMW Group, Fiat Chrysler Automobiles N.V. (**FCA**), Ford Motor Company (**Ford**), General Motors Company and Subsidiaries (**GM**), PSA Groupe, SAIC General Motors Co., Ltd., SAIC-GM-Wuling Automobile Co. Ltd. (**SGMW**), Toyota Motor Corporation, Renault-Nissan-Mitsubishi Alliance, Changan Automobile (Group) Co., Ltd. (**Changan**), Maruti Suzuki India Limited (**Maruti-Suzuki**) and Volkswagen Group as well as domestic automakers in India, China and South America
Products:	EPS, Hydraulic Power Steering (**HPS**), Steering Columns and Intermediate Shafts (**CIS**), Driveline Systems (**DL**), ADAS and AD enabling technologies

Corporate Information

BOARD OF DIRECTORS

Executive Directors
ZHAO, Guibin (趙桂斌)
(Chairman and Chief Executive Officer)
RICHARDSON, Michael Paul *(President)*
FAN, Yi (樊毅)

Non-Executive Directors
YANG, Shengqun (楊勝群)
ZHANG, Jianxun (張建勛)
(appointed with effect from March 13, 2018)

Independent Non-Executive Directors
LIU, Jianjun (劉健君)
WEI, Kevin Cheng (蔚成)
YICK, Wing Fat Simon (易永發)

JOINT COMPANY SECRETARIES

FAN, Yi (樊毅)
MOK, Ming Wai (莫明慧) (FCIS, FCS)

AUTHORISED REPRESENTATIVES

FAN, Yi (樊毅)
MOK, Ming Wai (莫明慧) (FCIS, FCS)

LEGAL ADVISERS

As to Hong Kong Law
DLA Piper Hong Kong

As to Cayman Islands Law
Maples and Calder

AUDITOR

PricewaterhouseCoopers

AUDIT AND COMPLIANCE COMMITTEE

WEI, Kevin Cheng (蔚成) *(Chairman)*
YANG, Shengqun (楊勝群)
YICK, Wing Fat Simon (易永發)

REMUNERATION AND NOMINATION COMMITTEE

YICK, Wing Fat Simon (易永發) *(Chairman)*
LIU, Jianjun (劉健君)
ZHANG, Jianxun (張建勛)
(appointed with effect from March 13, 2018)

HEADQUARTERS

1272 Doris Road
Auburn Hills, Michigan 48326, USA

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of America Merrill Lynch
Bank of China
Bank Pekao SA
China CITIC Bank
China Construction Bank
Comerica Bank
JPMorgan Chase & Co.
PKO Bank Polski
Shanghai Pudong Development Bank
The Export-Import Bank of China
Wells Fargo Capital Finance

STOCK CODES

Share Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock code: 1316)

Senior Notes Listing
US$250,000,000 5.875%
Senior Notes due 2021
The Stock Exchange of Hong Kong Limited
(Stock code: 5826)

COMPANY WEBSITE

http://www.nexteer.com/

Business Overview

STRATEGY FOR PROFITABLE GROWTH

- Strengthen technology leadership
- Expand and diversify revenue base
- Capitalise on EPS as enabler for ADAS
- Target China and emerging market growth
- Optimise cost structure
- Pursue select acquisitions and alliances

FIRST HALF OF 2018 BUSINESS HIGHLIGHTS

The following are business highlights for the first half of 2018 – demonstrating Nexteer's focus on delivering long-term profitable growth:

- Showcased market leadership with successful launch of 8 new customer programmes across multiple product lines, regions and customers
- Increased Backlog of Booked Business (as defined below) to US$24.9 billion
- Continued expansion and rotation of global business footprint
- Strengthened technology leadership to drive core business growth
- Continued focus on operational efficiency

NEW PRODUCTION LAUNCHES

With the launch of 8 customer programmes during the first six months of 2018, including 2 programmes from one of our non-consolidated joint ventures, we introduced new or enhanced product applications in steering and driveline. These programmes included incumbent and conquest business. Customer programmes that began production during the six months ended June 30, 2018 included:

	Vehicle Nameplate	Our Products
North America		
FCA	Ram 1500	Rack-assist EPS (**REPS**), Column
Asia Pacific		
Changan	*X70A	Column-assist EPS (**CEPS**)
	*Eado	CEPS
FCA	Grand Commander	Column
GM	Excelle	CEPS
Maruti-Suzuki	Swift Dzire Tour	Halfshaft
SGMW	Wuling Rongguang	CEPS

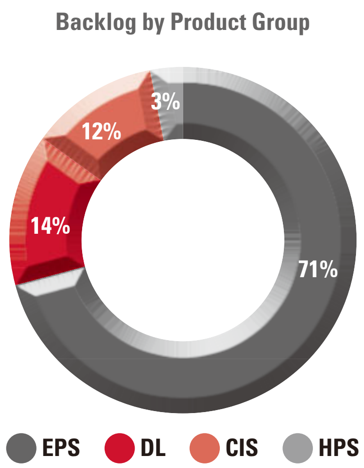
* Related to one of our non-consolidated joint ventures

BACKLOG OF BOOKED BUSINESS

We begin to realise revenue under a new business contract as steering systems and driveline products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have calculated a booked business backlog value which includes the value of awarded business for as yet, undelivered product generating revenue between the time of launch through the end of the life of the respective award. We estimate the value of all booked business under contracts that have been awarded, but for which we have undelivered products, increased by 4.2% to approximately US$24.9 billion (the **Backlog of Booked Business**, **Booked Business Amount** or **Booked Business**) as at June 30, 2018 compared with US$23.9 billion as at December 31, 2017.

The value of Booked Business is not a measure defined by International Financial Reporting Standards (**IFRS**), and our methodology for determining the Booked Business Amount may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime programme volumes and contract performance remain unchanged from our disclosures in prior periods. Any modification or suspension of the contracts related to the Booked Business by the Group's customers may have a substantial and immediate effect on the value of the Booked Business. While we believe that our current Booked Business Amount is a relevant financial metric, we must emphasise that the information set out in this section in relation to the Booked Business and the Booked Business Amount shall not constitute any forecast or prediction of the revenue and profits of the Group and the actual value may differ to the estimated Booked Business Amount due to various factors beyond the Group's control.

Backlog of Booked Business:



CONTINUED GROWTH VIA STRATEGIC COHERENCE AND PORTFOLIO DISCIPLINE

Two key points summarise Nexteer's continued growth into the first half of 2018: Strategic coherence and portfolio discipline.

Strategic Coherence – As a global One Nexteer enterprise, we remain focused on our six-point strategy for profitable growth – as highlighted at the opening of our Business Overview section in this report. This strategy guides our daily decision-making and has proven itself as Nexteer has advanced to become the #3 global steering supplier.

Portfolio Discipline – We know who we are. We understand our core competencies. As motion control specialists, we are guided by our mastery of advanced steering and driveline systems. As we innovate and expand our portfolio, as well as explore strategic alliances and adjacent markets, Nexteer remains disciplined with our portfolio composition.

Together, strategic coherence and portfolio discipline have sharpened our market differentiation and strengthened our competitive advantage. Increasingly, global OEMs are seeking "specialists" rather than "general practitioners" as our industry redefines mobility, the role of motion control and human-machine interaction.

Nexteer's highly engineered, safety-critical systems are becoming integral to the development of higher levels of automated driving. We have gained ground on our competition as Nexteer has become a global, sought-after expert, by OEMs around the world.

This winning combination drives both shareholder value and customer market pull. It is fundamental to what aligns the global One Nexteer team. It is at the heart of why we do what we do. Every day, our loved ones and millions of people around the globe depend on Nexteer to deliver high-quality, safety-critical motion control solutions.

TECHNOLOGY LEADERSHIP

It's All About Safety and Performance

We are deeply engaged in the new mobility frontier and achieving unprecedented levels of safety and performance. On a vehicle-systems level, the ADAS landscape may be segmented into three elements: "SENSE-PLAN-ACT". Nexteer's advanced steering actuation and driveline solutions can be categorised in the "ACT" portion of this landscape.

On the Road Today: ADAS-Enabling EPS

Nexteer's EPS systems enable ADAS features for a wide range of small cars, luxury vehicles and light duty trucks around the world. Magnetic Torque Overlay expands our market exposure in ADAS functionality to heavy-duty commercial trucks as well.

EPS enables ADAS functionality by communicating in real time with the vehicle's central Electronic Control Unit (**ECU**) and/or other vehicle sub-systems. Nexteer's EPS translates data and commands into precise steering motion. Advanced steering functions include traffic jam assist, lane keeping, lane departure warnings, park assist, trailer assist and more.

On the Road Tomorrow: Nexteer Technology is Foundational to Varying Levels of Automation, Mixed Mode Driving

We continue to expand our ADAS and AD enabling technology line-up as well as strategic alliances, market reach and global brand presence as a leader in intuitive motion control. We kicked-off 2018 at the North American International Auto Show (**NAIAS**) by demonstrating the commercial and technical relevance of these announcements through a comprehensive showcase of our technology suite.

An important element of our strategic alliances includes advanced technology development partnerships with multiple OEMs. These collaborative partnerships give Nexteer several competitive advantages, including:

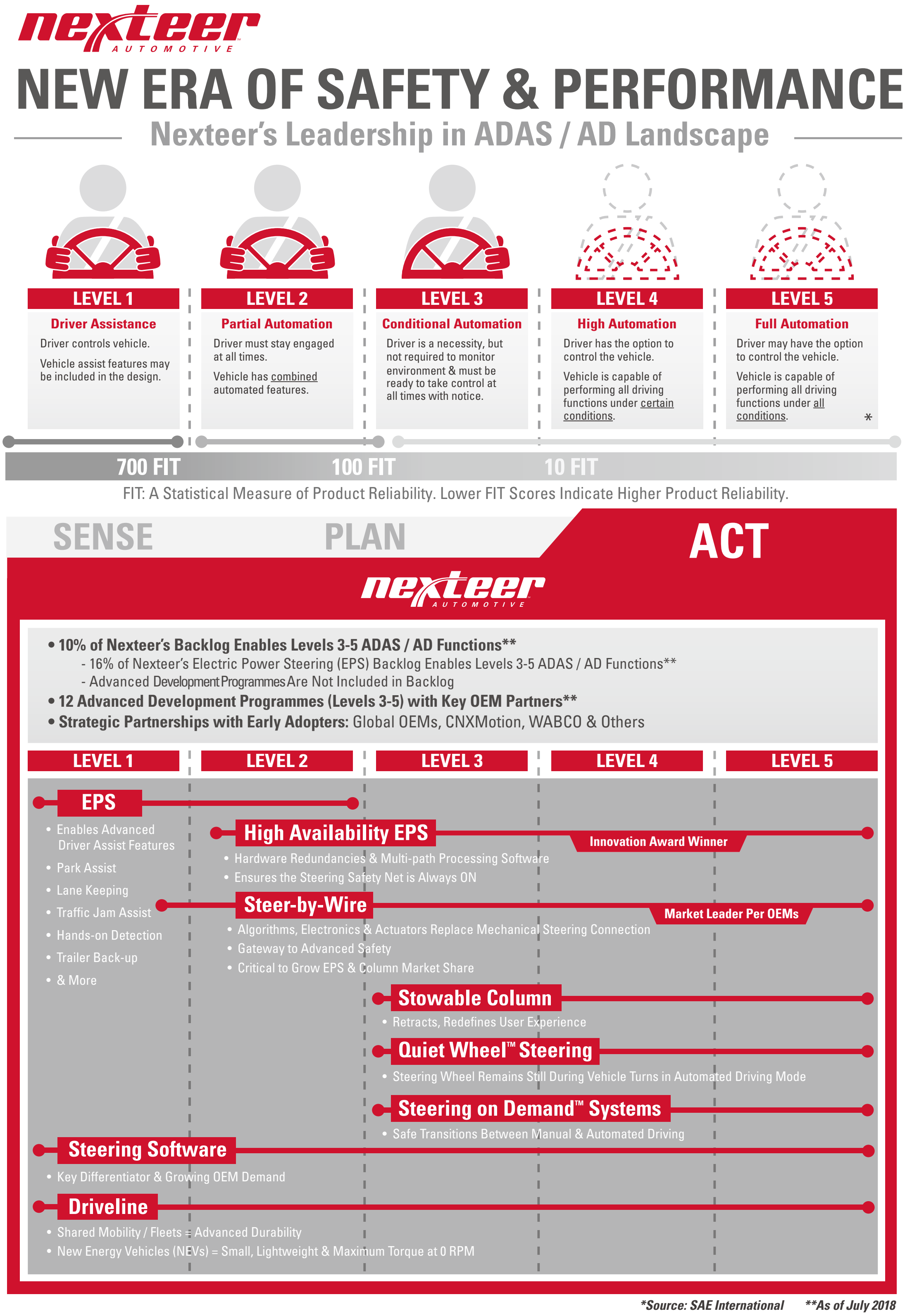
- First-hand knowledge of OEMs' different perspectives regarding new technology variations and functions
- A clearer, predictive view of the future market requirements and OEM interest and technology application
- Stronger customer relationships and upstream reliance on Nexteer research and development (**R&D**) capabilities and resources positively impact downstream sourcing decisions as new technologies go to market

Following is a quick guide to our advanced technology suite and the value each brings to our business:

Nexteer Technology	Brief Description	Value to Our Business
High Availability EPS *GM Supplier of the Year Innovation Award Winner*	• Intelligently optimised and packaged hardware redundancies (sensors, ECUs, dual motor windings, connectors) and software that is designed for simultaneous, multi-path processing • Opens future safety possibilities in vehicle-to-everything (**V2X**) communication environments	• Safety-critical and foundational as the industry moves toward varying levels of automation • Ensures the steering safety net is always ON
Steer-by-Wire (SbW) *Global OEMs' Demonstrate High Interest in Nexteer's SbW* *Global OEMs' Feedback: "Nexteer is a SbW Leader" Based on Evaluations by various OEMs*	• Replaces the mechanical connection between the road wheels and the steering wheel with algorithms, electronics and actuators • Supports manual, automated and mixed mode driving • Provides packaging flexibility for electric vehicles (**EV**) as well as left-hand and right-hand driving designs • Enables advanced safety features such as collision avoidance, stability control, etc. • Opens future safety possibilities in V2X communication environments	• While SbW volumes will be low initially, SbW defines the next technology horizon and is proving to be critical in growing current market share in traditional EPS. Global OEMs source large EPS programmes with an introductory portion of the platform dedicated to SbW. SbW has become a qualifying item to access broader volume opportunities • Increases Nexteer's Content Per Vehicle (**CPV**) (e.g., Stowable Column bundling) • Opens new possibilities in advanced safety and performance which leads to future product diversification plus additional CPV

Business Overview

Nexteer Technology	Brief Description	Value to Our Business
Quiet Wheel™ Steering *Redefines driver "behind the wheel" experience*	• Enabled by SbW • Allows steering wheel to remain still during automated driving mode – even while the vehicle is in the process of turning • Eliminates potential hazards of a fast-rotating steering wheel during hands-free driving • Enhances human interface safety, sense of peace in the cabin	• As steering specialists, Nexteer will continue to be a sought-after expert in safety-critical systems – even more so as OEMs seek partners to define the evolving role of steering and human-machine interface
Stowable Steering Column *Redefines driver user experience*	• Retracts and increases available space for driver comfort and other activities	
Steering on Demand™ System *Redefines driver user experience*	• Safe, intuitive transitions of steering control between manual and automated driving modes in Levels 3-plus	



**Source: SAE International* ***As of July 2018*

Technology Leadership on the Global Stage, Private Customer Showcases, Research Clinics and Market Trend Capitalisation

To guarantee Nexteer's technology leadership position well into the future, Nexteer's Global Marketing and Advanced Engineering teams closely analyse market trends and identify business growth opportunities. Additionally, our development partnerships with multiple OEMs on advanced technology projects are yielding keen market insights and competitive advantages to further secure our position as a Leader in Intuitive Motion Control. This predictive insight is continually assessed and integrated into our overall business planning and R&D efforts.

Technology Leadership at Global Industry Conferences

In the first half of 2018, Nexteer's experts spoke at several, high-profile conferences around the globe to address the challenges and opportunities attendant with advanced steering technologies in this new era of safety and performance. Recent conference examples include:

- Borscon Autonomous Driving Industry Summit 2018 in Shanghai, China
- Autonomous Driving Summit in Detroit, USA
- Chassis Tech Plus 2018 in Munich, Germany
- International Quality & Productivity Center's Steering Systems 5th International Conference in Detroit, USA

Technology Leadership at Confidential Technology Event with Global Customers

In addition to the public stage, we continue to hold many technology deep-dive, one-on-one interactions with our customers in every market. In private technology events, we fully explore our customers' objectives and challenges and openly share our solutions and advanced technologies and allow customers to experience our prototypes in a ride and drive setting.

Considering a recently opened market channel for advanced functionality, Continental hosted a Winter Systems Development event in Sweden in the first quarter of 2018. Via our joint venture, CNXMotion, LLC (**CNXMotion**), Nexteer technologies were showcased in a compelling automated driving demonstration. Over 150 evaluators across 14 OEMs attended and provided positive, insightful feedback to Nexteer.

Technology Leadership Via Research Clinics – Redefining Human-Machine Interface, Steering Transitions

In 2018, Nexteer Engineering and Marketing collaborated in a research clinic that was designed by the Virginia Tech Transportation Institute. Nexteer published the first round of findings from this research clinic studying consumer behaviors and preferences in steering control transitions and human interaction for ADAS Levels 3-5. Most importantly, these clinics guided our researchers to those studied transitions achieving the highest levels of safety and customer confidence.

We are also working on a human factors study with the University of Leeds – Institute for Transportation Studies. In addition to clinics in partnership with external parties, we leverage our own non-engineering Nexteer employees for internal clinics.

The valuable insight gained through these clinics directly impacts our product development and R&D effort as well as our customers who also benefit from the studies' key findings. As motion control specialists, Nexteer will continue to be a sought-after expert in safety-critical systems – even more so as OEMs seek partners to define the evolving role of steering, driveline and human machine interface.

Growing Software Trend – Poised to Capitalise

Along with industry analysts, Nexteer views software and electronics capabilities as important key differentiators and expects market demand for its software expertise to grow. To support current and future business expansion, Nexteer is opening a Software Centre in Bangalore, India and will continue to expand software capabilities over the next several years.

The new Software Centre is the latest addition to the Company's global software team with locations in Saginaw, USA; Tychy, Poland and Suzhou, China. Nexteer's Global Technical Centre in Saginaw, USA – in coordination with regional Technical Centres in Tychy, Poland and Suzhou, China – will continue focusing on upstream software development and R&D innovation, while the Software Centre will focus on downstream software validation and programme production support, ensuring the highest level of quality and compliance with Nexteer specifications, industry protocols and regulations.

Nexteer's software business model and supporting global team structure is focused on delivering innovative software solutions with speed, flexibility and seamless vehicle integration to our global automotive OEM customers. The role of software in vehicles – especially in safety-critical steering applications – continues to evolve as a key product differentiator. Consequently, customer demand for Nexteer's smart software solutions continues to grow exponentially.

New Energy Vehicles (NEV), Shared Mobility Fleets, 48 Volt & More

Within our fast-paced changing landscape, global OEMs will have a stronger focus on driveline durability especially in shared mobility/fleet applications wherein vehicles may accumulate higher mileage in shorter timeframes. Smaller, lightweight packaging with high efficiency and maximum torque at 0 RPM (resting state) are also major driveline considerations for EV applications as an example. Nexteer advanced driveline technologies are well-positioned to capitalise on these emerging trends as well.

48-volt conversion is another industry topic and it remains to be seen how this trend will ultimately unfold. For Nexteer, the potential conversion from today's 12-volt architectures for Internal Combustion Engines and Hybrids to 48-volt is a direct transition with minimal impact.

NOTABLE FIRST HALF OF 2018 EVENTS, ACHIEVEMENTS & MILESTONES

Following are highlights indicative of our global growth along our focused product portfolio, diverse customer base and regions of operation:

- Showcased at 2018 NAIAS and Automobili-D in Detroit
- Strengthened Technology Leadership via Influential, Global Symposiums, Customer Technology Events and Research Clinics
- Earned High Profile Awards for Advanced Technology and Manufacturing, Quality and Relationships
- Broke Ground on a New Production Facility in Morocco
- Achieved EPS Production Milestones in China and Europe
- Announced a Software Centre in India and Unveiled Our Global Software Team Structure
- Opened a New Production Facility in Querétaro, Mexico

Nexteer kicked-off 2018 at NAIAS and Automobili-D where we culminated year-long announcements into showcasing one comprehensive technology suite that solves motion control needs for both today's world as well as future mobility trends. This campaign highlighted the "Nexteer Difference" in what we do (our advanced steering, driveline and ADAS/AD-enabling technology suite) and how we do it (Digital Trace™ Manufacturing – **DTM**).

The importance of our advanced technology suite to our business is covered earlier in this report. The importance of DTM to our business and our customers' businesses is covered in the 2017 Annual Report and details how DTM enhances customer value, responsiveness, quality, traceability, capacity optimisation, productivity/ergonomics and proactive decision-making.

REGIONAL MARKET GROWTH

In the first half of 2018, Nexteer continued optimisation of our global manufacturing footprint and technical centres to further align with our customers' needs and enhance efficiencies and market responsiveness. Nexteer's global footprint includes 25 manufacturing facilities, 3 technical centres and 14 customer service centres at time of publication of this report. The following is a brief overview of notable highlights by region (listed alphabetically) during the first half of 2018.

Asia Pacific

Nexteer Liuzhou and Nexteer Indonesia started 2018 on positive notes by earning two SGMW awards: "Excellent Collaboration Award" and "Excellent Supplier Award of Indonesian Subsidiary", respectively.

Celebrations in the region continued as Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**) marked the official opening of Nexteer's Wuhan production facility focused on Single Pinion EPS production. The Wuhan facility will be fully operational in 2019. With this new facility, we will expand our manufacturing capabilities, as well as meet growing customer demands for EPS products in the region.

In April 2018, Nexteer announced plans to open a Software Centre in India and in June 2018, Nexteer selected a site in Bangalore which is expected to be fully operational by the end of 2018. The new Software Centre in Bangalore, India will be the latest addition to the Company's global software team with locations in Saginaw, USA; Tychy, Poland and Suzhou China.

In May 2018, our China manufacturing operations achieved a significant milestone – reaching a cumulative production of 10 million EPS units. As we increase our EPS market share, we also grow in influence with leading Chinese OEMs who seek long-term EPS partners; and our leadership in ADAS and AD-enabling technologies such as High Availability EPS and SbW continues to provide us new programme opportunities with these OEMs.

Nexteer Asia Pacific finished the first half of 2018 by announcing that the Chongqing Municipal Government noted Nexteer's leadership in advanced manufacturing by adding the Company to the "2018 List of Pilot Enterprises for the Implementation of Integration Management Systems." Nexteer is one of 44 companies included in the list of pilot enterprises that will advance Chongqing's status in smart manufacturing by merging information technology and manufacturing processes. As part of Nexteer's global DTM, this approach enhances customer value and responsiveness, quality, traceability, capacity optimisation, productivity and proactive decision making.

Europe, Middle East, Africa and South America

We have changed the name for this reporting segment from "Europe-South America" to "Europe, Middle East, Africa and South America" (**EMEA & SA**).

This update reflects Nexteer's expanded reach – thanks to the ground-breaking of a new production facility in Morocco. The ground-breaking ceremony was held in March 2018 and the Company expects the facility to be fully operational by mid-2019 to service already awarded customer programmes. Nexteer's Morocco facility will manufacture both EPS and DL products. Following our current customer pursuit plan, we expect our Morocco operation to approach 500 employees by 2020.

Nexteer's key differentiators include global manufacturing footprint and in-house capabilities in producing high-quality, safety-critical steering and driveline systems. By establishing a Morocco footprint, Nexteer further aligns with our global customers' needs. This location expands our geographic reach in support of both Africa and Europe OEM production requirements.

EMEA & SA's Technical Centre in Tychy, Poland is now fully operational, including a Prototype Centre as of April 2018. The Prototype Centre is the latest addition to the facility's Validation Centre and test track. The regional Technical Centre's team includes almost 200 engineers at the time of publication.

Additional EMEA & SA achievements include:

- Nexteer Europe achieved a cumulative EPS production milestone of 20 million units in June 2018.

- Nexteer Turkey was honored by FCA as the "Excellent Delivery Performance Supplier" for outstanding logistics performance, efficient production planning, excellent responsiveness and flawless delivery of Fiat Doblo columns.

- Nexteer Brazil earned a certification as a Great Place to Work® as well as FCA's award for the "Gaucho Programme of Quality and Productivity". This award recognises commitment to excellence in management aligned with high quality principles.

North America

In North America, Nexteer celebrated winning GM's exclusive Innovation Award for ADAS Level 5 technology – High Availability EPS. Among thousands of contenders, Nexteer was one of four top suppliers recognised at GM's Innovation Award ceremony in Orlando, USA on April 19, 2018. Nexteer's High Availability EPS was noted by GM as a "transformative technology benefiting customers." Nexteer's High Availability Electric Steering ensures that the driver's steering safety net is always on as the automotive industry moves towards varying levels of automated driving.

Nexteer also celebrated a grand opening in April 2018 of a new driveline production facility in Querétaro, Mexico. This marks the third production facility in Querétaro and is a continuation of our strategic footprint expansion in markets important to our diverse customer base – spurring global growth while empowering regional autonomy.

In addition to the GM Innovation Award earlier in 2018, Ford bestowed Nexteer with two awards during their 20th annual Excellence Awards ceremony in May 2018. First, Ford honored Nexteer for achieving the highest levels of global excellence based on the Aligned Business Framework principals focusing on quality, delivery, value and innovation. Second, Nexteer earned Ford's Silver Award for excellence in rack-based EPS manufacturing in Mexico.

In recognition of Nexteer's manufacturing leadership, Frost and Sullivan honored Nexteer with a 2018 Manufacturing Leadership Award. This is the second consecutive year as an honoree. This year, Nexteer won in the category of "Engineering and Production Technology Leadership." The award – according to Frost and Sullivan – is given to those shaping the future of global manufacturing. Nexteer was honored at the 14th Annual Manufacturing Leadership Awards Gala on June 13, 2018 in Huntington Beach, USA.

INDUSTRY RECOGNITION

In just the first half of 2018, Nexteer has already been honored in every region of operation for its exemplary work in innovation, advanced manufacturing, quality and supplier-customer relationships. Following is a summary of achievements:

- GM Honored Nexteer with the Exclusive "Innovation Award" for High Availability EPS in a Level 5 Application
- Ford Awarded Nexteer with Aligned Business Framework Status – Exclusive Supplier-Partner Status Leading to Greater Openness, Dialogue and Longer-Term Contracts
- Ford Awarded Nexteer with a Silver Award for Quality Steering Gear Manufacturing in Mexico
- SGMW Recognised Nexteer Liuzhou with an "Excellent Supplier Award" for Quality, Service, Design and Cost Performance
- SGMW Honored Nexteer Indonesia with an "Excellent Supplier Award for Indonesian Subsidiary"
- FCA Recognised Nexteer Turkey as an "Excellent Delivery Performance Supplier" for Outstanding Logistics Performance, Efficient Production Planning, Excellent Responsiveness and Flawless Delivery of Fiat Doblo Columns
- FCA Awarded Nexteer Brazil for Commitment to Excellence in Management Aligned with Quality Principles
- Frost and Sullivan Honored Nexteer for the Second Consecutive Year. This Year, We Won in the Category of "Engineering and Production Technology Leadership"
- Chongqing Municipal Government Recognised Nexteer as a Leader in Advanced Manufacturing by Including the Company into the "2018 List of Pilot Enterprises for the Implementation of Integration Management Systems"

Nexteer not only wins industry awards and recognition, we help our customers win awards too:

- 2018 Motor Trend Truck of the Year: Ford F-150/F-150 Raptor Featuring Our REPS and Column Technologies
- 2018 NAIAS Truck of the Year: Lincoln Navigator Featuring Our REPS and Column Technologies

ORGANISATIONAL CHANGES

The Board of Directors of the Company (the **Board**), appointed Mr. OT Benson as Vice President, Global Supply Management of the Company effective from June 4, 2018.

The Board appointed Ms. Cathy Xu (許瑩) as Vice President, Global Human Resources of the Company effective from June 4, 2018.

SUSTAINABILITY REPORT PUBLICATION

As we close the Business Overview for the 2018 Interim Report, it is important to note that Nexteer published its annual Sustainability Report overviewing the Company's progress in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**). Nexteer's five key focus areas include:

- Business Ethics
- Health, Safety and Environment
- Value Creation
- Community
- Supply Chain

Financial Highlights

Results (US'$000)	**For the six months ended June 30, 2018 (Unaudited)**	For the six months ended June 30, 2017 (Unaudited)	Growth rate %
Revenue	**2,046,982**	1,974,087	3.7%
Gross profit	**369,579**	371,486	(0.5%)
Profit before income tax	**231,427**	226,642	2.1%
Income tax expense	**(29,084)**	(44,088)	(34.0%)
Profit attributable to equity holders of the Company	**199,605**	179,686	11.1%
Profit for the period	**202,343**	182,554	10.8%
Adjusted EBITDA	**331,004**	326,890	1.3%

Assets and Liabilities (US'$000)	**As at June 30, 2018 (Unaudited)**	As at December 31, 2017 (Audited)	Change %
Non-current assets	**1,456,474**	1,418,162	2.7%
Current assets	**1,537,066**	1,561,221	(1.5%)
Non-current liabilities	**610,697**	670,252	(8.9%)
Current liabilities	**835,151**	868,416	(3.8%)
Equity attributable to the Group's equity holders	**1,510,284**	1,402,411	7.7%

These financial highlights should be read in conjunction with the Group's unaudited Condensed Consolidated Interim Financial Information for the six months ended June 30, 2018 (the **Condensed Consolidated Interim Financial Information**).

Management Discussion and Analysis

The following management discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Information, included herein, which have been prepared in accordance with International Accounting Standards (**IAS**) 34 "Interim Financial Reporting".

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in the first half of 2018. While global OEM production volumes remained largely stable with 2017, positive product mix and favourable foreign currency contributed to higher Group revenue growth of 3.7% in the first half of 2018 compared with the first half of 2017, with all three geographical segments achieving increased revenue. The Group successfully launched 8 new customer programmes in the first half of 2018 in North America (2 programmes) and Asia Pacific (6 programmes), further supporting the Group's revenue growth. Increased revenue, as well as the Group's continued focus on operational efficiencies, cost reduction efforts, and a benefit from the lower corporate income tax rate in the US, contributed to an increase in net profit attributable to equity holders of 11.1% in the first half of 2018 compared with the same period a year ago. Improved net profit, focused working capital management and disciplined capital investment provided strong cash flow in the first half of 2018.

Operating Environment

The global automotive market has a direct impact on our business and operating results. Factors affecting the industry include macro-economic influences such as consumer confidence, fluctuations in commodity prices, currency, fuel prices and regulatory environments. The Company operates primarily in the US, Mexico, China, Poland, India and Brazil.

Automotive industry production levels moderately increased in the first half of 2018 over the first half of 2017 supported by stable, yet modest growth in the global economy. According to IHS Markit Ltd., global light vehicle production for the six months ended June 30, 2018 increased 1.7% compared to the six months ended June 30, 2017, with a decrease in North America of 2.9%. North America full-size truck production in the first half of 2018 was 6.5% lower compared with the same period a year ago. Light vehicle production for the Asia Pacific segment for the six months ended June 30, 2018 increased 2.6% compared to the six months ended June 30, 2017. Light vehicle production in Europe and South America increased 3.2% for the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

The Company continues to expand its global operating footprint to service its broad and growing customer base and, accordingly, the financial results of the business are impacted by changes in foreign currencies measured against the US dollar. The Group's financial results during the first half of 2018 were favourably impacted by foreign currency translation as the US dollar weakened against the European euro (**Euro**) and Chinese renminbi (**RMB**) compared with the same period a year ago.

Raw material costs represent a significant portion of the Company's cost of goods sold and changes in commodity costs can have an impact on the financial results of the business in any given period. Prices for certain commodities such as steel and aluminum have risen over the past year, due to both strong global demand and, more recently, further impacted by the imposition of tariffs on these products by the US Government in connection with global trade concerns and related negotiations. As the Company strives to procure raw materials in the region of consumption and sale of products to its customers, purchases of such commodities used in the US manufacture of the Company's products are exclusively sourced from US suppliers. In addition, the Company purchases finished and semi-finished components from third party suppliers in the US, generally under fixed cost contractual arrangements, which contain steel and aluminum commodity inputs and may be subject to tariffs depending on the supplier's source of origin. The Company continues to monitor and coordinate with its component suppliers who may be impacted under the current steel and aluminum tariff regulations. Through the first half of 2018, commodity costs have not been significantly impacted by tariff actions imposed through June 30, 2018 between the US and China as commodity purchases from China and export sales to China from the Company's US operations are not significant. Other tariff actions implemented with other countries similarly have not had a significant impact on the Company's financial results through the first half of 2018.

Revenue

The Group's revenue for the six months ended June 30, 2018 was US$2,047.0 million, an increase of US$72.9 million or a 3.7% increase from the six months ended June 30, 2017 of US$1,974.1 million. According to IHS Markit Ltd., global OEM production volume for the six months ended June 30, 2018 increased 1.7% compared to the six months ended June 30, 2017. Favourable foreign currency translation increased the Group's revenue by approximately US$51.5 million, principally impacting the Asia Pacific and EMEA & SA segments.

We measure the results of our operations by geographic segment regions. The change in revenue is analysed by volume, mix and price. Volume measure changes are driven by the volume of products sold. Mix changes are driven by the type of products sold. Price measures the impact of changes within the pricing structure of each product sold.

Revenue by Geographical Segments

For the six months ended June 30, 2018, the Group experienced an increase in revenue compared to the six months ended June 30, 2017, with each geographic segment contributing to the increase.

The following table sets forth revenue by geographic segments for the periods indicated:

	For the six months ended June 30, 2018		For the six months ended June 30, 2017	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
North America	**1,342,893**	**65.6**	1,307,192	66.2
Asia Pacific	**418,245**	**20.4**	415,588	21.1
EMEA & SA	**285,844**	**14.0**	251,307	12.7
Total	**2,046,982**	**100.0**	1,974,087	100.0

The change in revenue by geographical segments is primarily due to the following:

- North America segment – Revenue increased by US$35.7 million, or a 2.7% increase, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The North America segment held strong during the first half of 2018, despite a decline in overall OEM light vehicle and full-size truck production compared with a year ago. According to IHS Markit Ltd., OEM light vehicle production volumes decreased 2.9% in North America for the six months ended June 30, 2018 compared with the same period in 2017, which included a decline in full-size truck production of 6.5%. Strong demand from 2018 customer programme launches and 2017 carryover programmes and favourable product line mix more than offset lower overall OEM production and customer pricing.

- Asia Pacific segment – Revenue increased by US$2.7 million, or a 0.6% increase, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The Asia Pacific segment experienced US$28.6 million of favourable foreign currency translation as the US dollar weakened against the RMB during the first half of 2018 compared with same period in 2017. While OEM production volumes in the Asia Pacific segment and China increased 2.6% and 3.0%, respectively, for the six months ended June 30, 2018 compared with the same period in 2017, according to IHS Markit Ltd., the Asia Pacific segment experienced lower production demand from its key customers, as end consumer purchases of their vehicles did not keep pace with the overall market.

- EMEA & SA segment – Revenue increased US$34.5 million, or a 13.7% increase, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Favourable foreign currency translation provided a favourable benefit of US$22.9 million as the US dollar weakened against the Euro during the first half of 2018 compared with the same period in 2017. Stronger OEM production volume in Europe and South America, increasing 3.2% for the six months ended June 30, 2018 compared to the six months ended June 30, 2017, according to IHS Markit Ltd., and the carryover benefit from 4 customer programme launches in 2017 further contributed to the increase in revenue during the first half of 2018.

Revenue by Products

The following table sets forth the Group's revenue by product lines for the period indicated:

	For the six months ended June 30, 2018		For the six months ended June 30, 2017	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
EPS	**1,321,093**	**64.5**	1,257,181	63.7
CIS	**336,992**	**16.5**	334,508	16.9
HPS	**84,942**	**4.2**	92,813	4.7
DL	**303,955**	**14.8**	289,585	14.7
Total	**2,046,982**	**100.0**	1,974,087	100.0

Continued growth in EPS and DL revenue of US$63.9 million and US$14.4 million, respectively, were the principal contributors of the increase in revenue during the first half 2018 compared with the same period a year ago, driven by favourable currency translation, overall customer demand and the impact of conquest business from the Company's Backlog of Booked Business. The decrease in HPS revenue resulted from lower production schedules from a key customer as expected.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2018 was US$199.6 million or 9.8% of total revenue, an increase of 11.1% compared to the six months ended June 30, 2017 of US$179.7 million, representing 9.1% of total revenue. The increase was attributable to the following:

- Higher customer demand in certain markets
- Successful customer programme launches
- Richer product line mix with EPS representing a larger proportion of total revenue
- Focus on continuous improvement in operating efficiencies and cost competitiveness
- Lower effective tax rate as a result of US tax reform legislation

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2018 was US$1,677.4 million, an increase of US$74.8 million from US$1,602.6 million as compared with the six months ended June 30, 2017. The Group's cost of sales for the six months ended June 30, 2018 primarily included raw material costs of US$1,204.3 million (for the six months ended June 30, 2017: US$1,145.9 million).

The Group's cost of sales increased principally as a result of increased revenue. Material savings initiatives during the first half of 2018 more than offset higher commodity costs, driven principally by higher steel and rare earth costs. Manufacturing efficiencies and lower warranty expense were offset by higher wage and related costs.

Consistent with continued customer programme launches in the first half of 2018 and the carryover impact from 2017 programme launches, depreciation and amortisation charged to cost of sales for the six months ended June 30, 2018 was US$85.3 million, an increase of US$3.2 million from US$82.1 million for the six months ended June 30, 2017.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$35.8 million for the six months ended June 30, 2018, representing 1.7% of revenue, a decrease of US$0.6 million as compared with US$36.4 million, representing 1.8% of revenue for the six months ended June 30, 2017.

Gross Profit

The Group's gross profit for the six months ended June 30, 2018 was US$369.6 million, a decrease of US$1.9 million or 0.5% as compared with US$371.5 million for the six months ended June 30, 2017. Gross profit percentage for the six months ended June 30, 2018 was 18.1%, a decrease of 70 basis points as compared to 18.8% for the six months ended June 30, 2017. Benefits from favourable foreign currency translation, higher production volumes and net cost efficiencies were offset by customer pricing, resulting in a slight decrease in gross profit for the first half of 2018 compared to the same period in 2017.

Engineering and Product Development Costs

For the six months ended June 30, 2018, the Group's engineering and product development costs charged to the income statement were US$59.5 million, representing 2.9% of revenue, a decrease of US$3.6 million as compared with US$63.1 million, representing 3.2% of revenue for the six months ended June 30, 2017.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2018 were US$74.2 million, representing 3.6% of revenue, an increase of US$18.4 million from US$55.8 million, representing 2.8% of revenue for the six months ended June 30, 2017. Capitalised interest related to engineering development costs totalled US$7.0 million for the six months ended June 30, 2018 and US$4.7 million for the six months ended June 30, 2017.

The Group's aggregate investment in R&D is defined as the sum of costs charged to the consolidated income statement and total costs capitalised as intangible assets. For the six months ended June 30, 2018, the Group incurred aggregate investment in R&D of US$133.7 million, representing 6.5% of revenue, an increase of US$14.8 million as compared with US$118.9 million, representing 6.0% of revenue, for the six months ended June 30, 2017. The increase in R&D is driven by the Company's continued focus on expanding its technical capabilities and resources around the world to pursue and acquire new customer programmes as evidenced by the growth in the Backlog of Booked Business, as well as, on-going and increasing investments in ADAS and AD-enabling technologies.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2018 were US$62.7 million, representing 3.1% of revenue, an increase of US$2.4 million as compared to US$60.3 million, representing 3.1% of revenue for the six months ended June 30, 2017. Continuing efficiency efforts and focus on leveraging the Group's cost base largely offset inflationary factors, with unfavourable foreign currency translation and increased stock compensation and long-term incentive expense being the principal factors for the increase in the first half of 2018 compared with the same period in 2017.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, loss on disposal of property, plant and equipment and others. Other gains for the six months ended June 30, 2018 were US$2.2 million, an increase of US$3.2 million compared to a loss of US$1.0 million for the six months ended June 30, 2017.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the six months ended June 30, 2018 were US$6.4 million, which is a decrease of US$6.8 million as compared with US$13.2 million for the six months ended June 30, 2017. The amount of capitalised interest on qualifying assets was US$7.1 million for the six months ended June 30, 2018 (six months ended June 30, 2017: US$4.7 million). Lower debt borrowings due to the repayment in full of the Company's outstanding US based term loan in February 2018 and interest on higher cash balances were the largest contributors to the reduction in finance costs, net in the first half of 2018 compared with the same period in 2017.

Share of (Loss) Income of Joint Ventures

Share of (loss) income of joint ventures relates to the Company's investments in CNXMotion, Dongfeng Nexteer and Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**). For the six months ended June 30, 2018, the Groups share of (loss) income of joint ventures amount to (US$1.3 million), (US$1.0 million) and US$0.3 million related to CNXMotion, Dongfeng Nexteer, and Chongqing Nexteer, respectively (six months ended June 30, 2017: nil, nil, (US$0.3 million)). CNXMotion was formed during the first half of 2017 and has incurred R&D costs focused on integrating lateral and longitudinal controls for mixed mode and automated driving applications. As a R&D entity, CNXMotion will not generate direct revenue, but will rather benefit the Company from the transfer of R&D that may be used in the manufacture of products in the future. Dongfeng Nexteer was formed during 2017 and has not yet commenced production, but has incurred organizational costs for the six months ended June 30, 2018. Chongqing Nexteer's profitability increased during the six months ended June 30, 2018 compared with the six months ended June 30, 2017 as a result of increased revenue caused by increased customer demand schedules.

Income Tax Expense

The Group's income tax expense was US$29.1 million for the six months ended June 30, 2018, representing 12.6% of the Group's profit before income tax, a decrease of US$15.0 million as compared with US$44.1 million, representing 19.5% of profit before income tax, for the six months ended June 30, 2017. The US$15.0 million decrease in income tax expense is primarily the result of the reduction in the US corporate income tax rate which became effective in January 2018 as further discussed below. The remaining reduction was due to increased profit in lower tax rate jurisdictions in 2018 compared with the same period in 2017.

On December 22, 2017, President Donald Trump signed into Law "H.R.1", formally known as the "Tax Cuts and Jobs Act", which among other items reduced the US federal corporate income tax rate from 35% to 21% with effect from January 1, 2018. As a result, the Company remeasured its deferred tax assets and liabilities as of December 31, 2017, which is the period of substantive enactment of the legislation, resulting in the Company's deferred tax assets and liabilities being revalued lower by US$39.0 million as at December 31, 2017. The Company's deferred tax assets and liabilities generally represent a decrease or an increase, respectively, in corporate income taxes expected to be paid in the future.

Provisions

As at June 30, 2018, the Group has provisions of US$90.3 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, a decrease of US$17.4 million as compared with US$107.7 million as at December 31, 2017. This decrease in provisions was primarily due to the net change in warranty reserves due to US$15.7 million in cash payments on historical warranty provisions during the first half of 2018. Additionally, the Company has continued its efforts and focus on improving product quality and manufacturing traceability. As a result of these initiatives, the reversal of historical warranty provisions due to lower customer warranty settlements and future claims estimates more than offset new warranty provisions recorded during the first half of 2018.

Liquidity and Capital Resources

Cash Flows

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programmes and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and borrowings from third-party financial institutions. We utilise a combination of strategies, including intercompany dividends, intercompany loan structures and other distributions and advances to provide the funds necessary to meet our global liquidity needs. The Company utilises a global cash pooling arrangement to consolidate and manage its global cash balances, which improves cash management efficiency. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the six months ended June 30, 2018, the Group invested US$76.6 million and US$67.3 million in capital equipment and intangible assets, respectively.

The Company had positive total cash flow for the six months ended June 30, 2018. We believe that funds generated from operations and cash on hand are adequate to fund our liquidity and capital requirements.

The following table sets forth a condensed consolidated statement of cash flows for the Group for the periods indicated:

	For the six months ended June 30, 2018 US$'000 (Unaudited)	For the six months ended June 30, 2017 US$'000 (Unaudited)
Cash generated from (used in):		
Operating activities	**322,732**	311,925
Investing activities	**(139,748)**	(175,792)
Financing activities	**(166,620)**	(116,047)
Net increase in cash and cash equivalents	**16,364**	20,086

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2018, the Group's net cash generated from operating activities was US$322.7 million, an increase of US$10.8 million, compared to US$311.9 million for the six months ended June 30, 2017. The increase in cash flows from operating activities was primarily due to increased earnings, working capital improvements and lower cash taxes paid.

Cash Flows Used in Investing Activities

The Group's cash flows used in investing activities primarily reflect capital spending for customer programmes. Our capital expenditures include cash expenditures for the purchase of machinery, equipment, tooling and investment in engineering and product development.

The following table sets forth the cash used in investing activities within the Group for the periods indicated:

	For the six months ended June 30, 2018 US$'000 (Unaudited)	For the six months ended June 30, 2017 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(76,642)**	(125,787)
Addition of intangible assets	**(67,253)**	(51,049)
Proceeds from sale of property, plant and equipment	**1,376**	317
Changes in restricted bank deposits	**6,886**	727
Investment in joint ventures	**(4,115)**	–
Net cash used in investing activities	**(139,748)**	(175,792)

Cash Flows Used in Financing Activities

For the six months ended June 30, 2018, the Group's net cash used in financing activities was US$166.6 million, an increase of US$50.6 million compared to US$116.0 million for the six months ended June 30, 2017. The increase in cash flows used in financing activities was mainly attributable to the net repayment of borrowings of US$80.0 million, finance costs paid of US$14.1 million, dividends paid to shareholders of the Company of US$70.0 million and dividends paid to non-controlling interests of US$3.1 million offset by proceeds from the exercise of share options of US$0.5 million.

Indebtedness

As at June 30, 2018, the Group's total borrowings was US$412.4 million, a decrease of US$78.8 million from US$491.2 million as at December 31, 2017. This decrease is primarily due to the utilisation of cash generated from operations to repay in full the outstanding balance of the Company's US based term loan of US$42.9 million, combined with the repayment of other scheduled debt maturities.

The following table sets forth the balances of short and long-term borrowing obligations within the Group for the periods indicated:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Current borrowings	**64,216**	76,030
Non-current borrowings	**344,290**	412,378
Finance lease obligations	**3,909**	2,773
Total borrowings	**412,415**	491,181

The table below sets forth the maturity profile of the borrowings within the Group for the periods indicated:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Within 1 year	**65,665**	77,036
Between 1 and 2 years	**65,142**	99,171
Between 2 and 5 years	**281,608**	314,974
Over 5 years	**–**	–
Total borrowings	**412,415**	491,181

Details of the borrowings of the Group during the period are set out in note 11 to the unaudited Condensed Consolidated Interim Financial Information.

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventories and property, plant and equipment. As at June 30, 2018, the Group had approximately US$525.2 million total assets pledged as collateral, a decrease of US$507.7 million as compared with US$1,032.9 million as at December 31, 2017. In connection with the repayment of US$42.9 million of the Company's US term loan in February 2018, the Company simultaneously refinanced its US based revolving credit facility, extending the maturity of the facility, increasing borrowing capacity to US$325.0 million, securing less restrictive covenants and collateral requirements, which resulted in a decrease of total assets pledged.

Exposure to Currency Rate Fluctuations and Related Hedges
The Group seeks to limit its foreign currency exposure through matching its purchase of materials and sale of finished goods in the same currencies subject to sourcing constraints. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations.

Gearing Ratio
The Group monitors capital structure on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity at the end of the respective period.

The gearing ratio as at June 30, 2018 was 26.6%, a decrease of 750 basis points as compared with December 31, 2017 which was 34.1%. The gearing ratio decreased compared to 2017 as a result of a paydown on existing borrowings.

OTHER INFORMATION

Future Prospects
The Group strives to maintain leadership in global advanced steering and driveline systems, ADAS and AD-enabling technologies. We boost our prospects by leveraging five key areas:

1. Relentless innovation

2. Depth and breadth of our product portfolio

3. Systems integration experience

4. In-house ownership of R&D, design testing and manufacturing

5. Global manufacturing footprint and prowess

Our global footprint continues to enable our capitalisation on the market transition to EPS and continued growth prospects in China and other emerging markets. In addition to strengthening and expanding our current business and customer relationships, we are positioned to capitalise on the "next conversion wave" to SbW as well as pursue selected strategic acquisitions and/or alliances globally.

Employees Remuneration Policy
As at June 30, 2018, the Group had approximately 12,400 full-time employees. The Group's remuneration policies are formulated based on the performance of individual employees and the Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and the shareholders of the Company (the **Shareholder**) as a whole. For example, the Group has retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions.

Based on the workload of the Group, we engage approximately 1,000 employees on a contract basis as at June 30, 2018. We offer training programmes to our full-time and contract employees which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations.

Corporate Governance/Other Information

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound corporate governance practices are fundamental to our effective and transparent operation and to the Group's ability to protect the rights of the Shareholders and enhance Shareholder value.

The Company has adopted its own Internal Control and Corporate Governance Policies, which are based on the principles, provisions and practices set out in the Corporate Governance Code and Corporate Governance Report (the **Hong Kong CG Code**) contained in Appendix 14 to the Listing Rules.

Except as expressly described below, in the opinion of the directors of the Board (the **Directors**), the Company has complied with all applicable code provisions set out in the Hong Kong CG Code and all applicable laws and regulations that have a significant impact on the business and operation of the Group throughout the six months ended June 30, 2018.

The Company periodically reviews its corporate governance practices with reference to the latest development of the Hong Kong CG Code.

Chairman and Chief Executive Officer

Mr. ZHAO Guibin, our Chairman also acts as the Chief Executive Officer (**CEO**) of the Company, which constitutes a deviation from Code Provision A.2.1 of the Hong Kong CG Code. The Board believes that this structure does not impair the balance of power and authority between the Board and the management of the Company or the Group, given that: (i) decisions made by our Board require approval by at least a majority of our Directors and we believe there are sufficient checks and balances on the Board; (ii) Mr. ZHAO and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that each Director, including Mr. ZHAO, acts for the benefit and in the best interests of the Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which is comprised of experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Joint Company Secretaries.

With the support of the Executive Directors and the Joint Company Secretaries, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted sound corporate governance practices and procedures and has taken appropriate steps to provide effective communication with Shareholders and other stakeholders.

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the period ended June 30, 2018.

The Company has also adopted its own code of conduct regarding employees' securities transactions in terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

The Company maintains and regularly reviews a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information or development of a false market for its securities.

The Company ensures that confidentiality agreements are signed by all relevant parties to a transaction that is likely to give rise to the emergence of inside information or development of a false market for its securities. The Company also adopts appropriate measures to maintain the confidentiality of sensitive information, such as using project codes and restricting access to such information to a limited group of recipients on a need-to-know basis.

The Company organises periodic training as it deems necessary for employees who, because of their office or employment, are likely to be in possession of inside information in relation to the Company, to help them understand the Company's policies and procedures as well as their relevant disclosure duties and obligations.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has adopted a risk management and internal control system and associated procedures and conducts reviews of the effectiveness of the risk management and internal control system of the Group.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. WEI, Kevin Cheng (蔚成), an independent non-executive Director, was appointed as an independent director and the audit committee chair of Alpha Peak Leisure Inc., a public company which is listed on Toronto Stock Exchange (TSX-V: AAP) with effect from November 25, 2017; Mr. WEI ceased to be an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of the board of Wisdom Sports Group, a company which is listed on the Stock Exchange (stock code: 1661) with effect from February 15, 2018.

Except for as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2018.

AUDIT AND COMPLIANCE COMMITTEE AND REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Consolidated Interim Financial Information of the Company for the six months ended June 30, 2018. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2018.

SHARE OPTION SCHEME

On June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

The Board may, at its discretion, invite any Directors (excluding Independent non-Executive Directors), senior management as well as other key employees approved by the Board as the Participants (as defined under the Share Option Scheme).

The summary of the options initially granted under the Share Option Scheme and still outstanding as at June 30, 2018 are as follows:

	Grant date	Options granted	Options held as at January 1, 2018	Options granted during the interim period	Options exercised during the interim period	Options cancelled/ lapsed during the interim period	Options held as at June 30, 2018	Exercise period [1]	Exercise price per share HK$	Share price on the grant date[2] HK$	Share price on the exercise date[3] HK$
Director											
ZHAO, Guibin	June 11, 2014	1,667,970	1,667,970	–	–	–	1,667,970	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
	May 29, 2017	1,667,970	1,667,970	–	–	–	1,667,970	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
	May 30, 2018	1,667,970	–	1,667,970	–	–	1,667,970	May 30, 2018 – May 29, 2028	12.456	11.960	N/A
FAN, Yi	June 11, 2014	526,730	526,730	–	–	–	526,730	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	526,730	526,730	–	–	–	526,730	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	526,730	526,730	–	–	–	526,730	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
	May 29, 2017	526,730	526,730	–	–	–	526,730	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
	May 30, 2018	526,730	–	526,730	–	–	526,730	May 30, 2018 – May 29, 2028	12.456	11.960	N/A
RICHARDSON, Michael Paul	May 29, 2017	2,633,650	2,633,650	–	–	–	2,633,650	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
	May 30, 2018	2,633,650	–	2,633,650	–	–	2,633,650	May 30, 2018 – May 29, 2028	12.456	11.960	N/A
ZHANG, Jianxun	May 30, 2018	351,150	–	351,150	–	–	351,150	May 30, 2018 – May 29, 2028	12.456	11.960	N/A
YANG, Shengqun	May 29, 2017	351,150	351,150	–	–	–	351,150	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
	May 30, 2018	351,150	–	351,150	–	–	351,150	May 30, 2018 – May 29, 2028	12.456	11.960	N/A
Sub-total		**17,294,250**	**11,763,600**	**5,530,650**	**–**	**–**	**17,294,250**				
All Other Participants (in aggregate)	June 11, 2014	9,042,160	527,880	–	176,730	–	351,150	June 11, 2014 – June 10, 2024	5.150	5.150	18.721
	June 10, 2015	8,164,290	877,880	–	351,160	–	526,720	June 10, 2015 – June 9, 2025	8.610	8.480	18.601
	June 10, 2016	8,407,790	3,140,500	–	–	–	3,140,500	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
	May 29, 2017	6,739,810	5,335,200	–	–	–	5,335,200	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
	May 30, 2018	7,442,120	–	7,442,120	–	–	7,442,120	May 30, 2018 – May 29, 2028	12.456	11.960	N/A
Sub-total		**39,796,170**	**9,881,460**	**7,442,120**	**527,890**	**–**	**16,795,690**				
Total		**57,090,420**	**21,645,060**	**12,972,770**	**527,890**	**–**	**34,089,940**				

Notes:

(1) The options granted in 2014, 2015, 2016, 2017 and 2018 must be held for one year from June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017 and May 30, 2018 respectively. The options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third at each anniversary of the date of grant of share options.

(2) The exercise price for the options granted on June 11, 2014 was the closing price of the shares quoted on The Stock Exchange of Hong Kong Limited (the **Stock Exchange**) on the trading day on the date of the grant of the options. The exercise price for the options granted on June 10, 2015 and June 10, 2016 was the average closing price for five consecutive trading days prior to the date of the grant. The exercise price for the options granted on May 29, 2017 was the closing price of the shares quoted on the Stock Exchange on the trading date of the grant of the options. The exercise price for the options granted on May 30, 2018 was HK$12.456, which was the average closing price for five consecutive trading days prior to the date of the grant (i.e. May 29, 2018). The closing price of the shares of the Company immediately before the date of the grant (i.e. May 29, 2018) was HK$12.48.

(3) Options exercised during the six months ended June 30, 2018.

(4) For the value of the options granted during the six months ended June 30, 2018, please refer to note 18 to the unaudited Condensed Consolidated Interim Financial Information for details.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2018, the interests or short positions of the Directors or chief executives of the Company in the shares of the Company (the **Shares**), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **SFO**)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name	Capacity	Nature of Interest	No. of underlying Shares of the Company held (through share options)(1)	Approximate Percentage of Total Issued Shares %(2)
ZHAO, Guibin	Director	Beneficial owner	8,339,850(L)	0.33
ZHANG, Jianxun	Director	Beneficial owner	351,150(L)	0.01
FAN, Yi	Director	Beneficial owner	2,633,650(L)	0.11
YANG, Shengqun	Director	Beneficial owner	702,300(L)	0.03
RICHARDSON, Michael Paul	Director	Beneficial owner	5,267,300(L)	0.21

Notes:

(L) Denotes a long position in the Shares.

(1) These represent the interests in underlying Shares in respect of the options granted by the Company.

(2) The calculation is based on the total number of 2,505,148,973 Shares in issue as at June 30, 2018.

Except as disclosed above, as at June 30, 2018, none of our Directors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its subsidiaries were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them. Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the six months ended June 30, 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2018, the following Shareholders (excluding the Directors and chief executives of the Company) had interests or short positions in any Shares and underlying Shares of the Company which will be required to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of Interest	No. of Shares	Approximate Percentage of Total Issued Shares %[1]
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**) [2]	Beneficial owner	1,680,000,000(L)	67.06%
Pacific Century Motors, Inc. (**PCM China**) [2]	Interest of controlled corporation	1,680,000,000(L)	67.06%
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**) [3]	Interest of controlled corporation	1,680,000,000(L)	67.06%
Aviation Industry Corporation of China, Ltd. (**AVIC**) [3]	Interest of controlled corporation	1,680,000,000(L)	67.06%

Notes:

(L) Denotes a long position in the Shares.

(1) The calculation is based on the total number of 2,505,148,973 Shares in issue as at June 30, 2018.

(2) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and as to 49% by Beijing E-Town International Automotive Investment & Management Co. Ltd. (北京亦莊國際汽車投資管理有限公司) (a direct wholly-owned subsidiary of Beijing E-Town International Investment & Development Co. Ltd.). Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

(3) AVIC Auto is owned as to 70.11% by AVIC. AVIC is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

Report on Review of Interim Financial Information

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 74, which comprises the interim condensed consolidated balance sheet of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at June 30, 2018 and the related interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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羅兵咸永道

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 15, 2018

Interim Condensed Consolidated Balance Sheet

As at June 30, 2018

	Note	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**887,548**	884,118
Land use rights	7	**1,458**	1,500
Intangible assets	7	**529,922**	494,530
Deferred income tax assets		**6,361**	7,042
Other receivables and prepayments	9	**18,024**	19,951
Investment in joint ventures	24(b)	**13,161**	11,021
		1,456,474	1,418,162
Current assets			
Inventories		**250,111**	241,257
Trade receivables	8	**587,761**	610,799
Other receivables and prepayments	9	**93,865**	101,786
Restricted bank deposits		**23**	6,591
Cash and cash equivalents		**605,306**	600,788
		1,537,066	1,561,221
Total assets		**2,993,540**	2,979,383

The notes on pages 42 to 74 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2018

	Note	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Unaudited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**32,317**	32,310
Other reserves		**91,896**	184,024
Retained earnings		**1,386,071**	1,186,077
		1,510,284	1,402,411
Non-controlling interests		**37,408**	38,304
Total equity		**1,547,692**	1,440,715
LIABILITIES			
Non-current liabilities			
Borrowings	11	**346,750**	414,145
Retirement benefits and compensations		**18,780**	17,171
Deferred income tax liabilities		**79,786**	67,612
Provisions	12	**76,392**	84,515
Deferred revenue	13	**79,772**	82,082
Other payables and accruals	15	**9,217**	4,727
		610,697	670,252
Current liabilities			
Trade payables	14	**592,630**	582,350
Other payables and accruals	15	**117,775**	138,367
Current income tax liabilities		**14,079**	14,603
Retirement benefits and compensations		**3,527**	3,103
Provisions	12	**13,862**	23,138
Deferred revenue	13	**27,613**	29,819
Borrowings	11	**65,665**	77,036
		835,151	868,416
Total liabilities		**1,445,848**	1,538,668
Total equity and liabilities		**2,993,540**	2,979,383

The notes on pages 42 to 74 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 36 to 74 were approved by the Board of Directors on August 15, 2018 and were signed on its behalf.

Fan, Yi	**Richardson, Michael Paul**
Director	*Director*

Interim Condensed Consolidated Income Statement

For the six months ended June 30, 2018

	Notes	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Revenue	6	**2,046,982**	1,974,087
Cost of sales	17	**(1,677,403)**	(1,602,601)
Gross profit		**369,579**	371,486
Engineering and product development costs	17	**(59,484)**	(63,068)
Selling and distribution expenses	17	**(9,793)**	(6,938)
Administrative expenses	17	**(62,666)**	(60,295)
Other gains (losses), net	16	**2,183**	(1,037)
Operating profit		**239,819**	240,148
Finance income	19	**3,655**	1,235
Finance costs	19	**(10,073)**	(14,471)
Finance costs, net		**(6,418)**	(13,236)
Share of loss of joint ventures, net	24(b)	**(1,974)**	(270)
Profit before income tax		**231,427**	226,642
Income tax expense	20	**(29,084)**	(44,088)
Profit for the period		**202,343**	182,554
Attributable to:			
Equity holders of the Company		**199,605**	179,686
Non-controlling interests		**2,738**	2,868
		202,343	182,554
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
Basic and diluted	21	**0.08**	0.07

The notes on pages 42 to 74 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2018

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit for the period	**202,343**	182,554
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(17)**	(203)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(22,104)**	23,751
	(22,121)	23,548
Total comprehensive income for the period	**180,222**	206,102
Attributable to:		
Equity holders of the Company	**178,021**	202,434
Non-controlling interests	**2,201**	3,668
	180,222	206,102

The notes on pages 42 to 74 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

	For the six months ended June 30,							Non-controlling interests	
	Share capital US$'000 (Note 10)	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Sub-total US$'000	US$'000	Total US$'000
For the six months ended June 30, 2017 (Unaudited)									
Balance at January 1, 2017	32,274	163,197	113,000	4,862	(88,838)	834,496	1,058,991	32,032	1,091,023
Comprehensive income									
Profit for the period	–	–	–	–	–	179,686	179,686	2,868	182,554
Other comprehensive (loss) income									
Exchange differences	–	–	–	–	22,951	–	22,951	800	23,751
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(203)	(203)	–	(203)
Total comprehensive income	–	–	–	–	22,951	179,483	202,434	3,668	206,102
Transactions with owners									
Value of employee services provided under share option scheme (Note 18), net of tax	–	–	–	1,231	–	–	1,231	–	1,231
Transfer to Share Premium under exercise of share options	–	328	–	(328)	–	–	–	–	–
Proceeds from exercise of options	12	637	–	–	–	–	649	–	649
Dividends paid to shareholders (Note 22)	–	(59,856)	–	–	–	–	(59,856)	–	(59,856)
Balance at June 30, 2017	32,286	104,306	113,000	5,765	(65,887)	1,013,979	1,203,449	35,700	1,239,149
For the six months ended June 30, 2018 (Unaudited)									
Balance at January 1, 2018	**32,310**	**106,747**	**113,000**	**7,548**	**(43,271)**	**1,186,077**	**1,402,411**	**38,304**	**1,440,715**
Adoption of IFRS 15 (Note 3)	**–**	**–**	**–**	**–**	**–**	**406**	**406**	**–**	**406**
Comprehensive income									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**199,605**	**199,605**	**2,738**	**202,343**
Other comprehensive (loss) income									
Exchange differences	**–**	**–**	**–**	**–**	**(21,567)**	**–**	**(21,567)**	**(537)**	**(22,104)**
Actuarial losses on defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**	**–**	**(17)**
Total comprehensive (loss) income	**–**	**–**	**–**	**–**	**(21,567)**	**199,588**	**178,021**	**2,201**	**180,222**
Transactions with owners									
Value of employee services provided under share option scheme (Note 18), net of tax	**–**	**–**	**–**	**(1,103)**	**–**	**–**	**(1,103)**	**–**	**(1,103)**
Transfer to Share Premium under exercise of share options	**–**	**237**	**–**	**(237)**	**–**	**–**	**–**	**–**	**–**
Proceeds from exercise of options	**7**	**496**	**–**	**–**	**–**	**–**	**503**	**–**	**503**
Dividends paid to shareholders (Note 22)	**–**	**(69,954)**	**–**	**–**	**–**	**–**	**(69,954)**	**–**	**(69,954)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,097)**	**(3,097)**
Balance at June 30, 2018	**32,317**	**37,526**	**113,000**	**6,208**	**(64,838)**	**1,386,071**	**1,510,284**	**37,408**	**1,547,692**

The notes on pages 42 to 74 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Operating activities		
Cash generated from operations	**343,692**	336,918
Income tax paid	**(20,960)**	(24,993)
Net cash generated from operating activities	**322,732**	311,925
Investing activities		
Purchase of property, plant and equipment	**(76,642)**	(125,787)
Addition of intangible assets	**(67,253)**	(51,049)
Proceeds from sale of property, plant and equipment	**1,376**	317
Changes in restricted bank deposits	**6,886**	727
Investment in joint ventures	**(4,115)**	–
Net cash used in investing activities	**(139,748)**	(175,792)
Financing activities		
Proceeds from borrowings	**918**	1,298
Repayments of borrowings	**(80,876)**	(39,408)
Finance costs paid	**(14,114)**	(18,730)
Dividend paid to equity holders of the Company	**(69,954)**	(59,856)
Dividends paid to non-controlling interests	**(3,097)**	–
Proceeds from exercise of options	**503**	649
Net cash used in financing activities	**(166,620)**	(116,047)
Net increase in cash and cash equivalents	**16,364**	20,086
Cash and cash equivalents at January 1	**600,788**	484,475
Exchange (losses) gains on cash and cash equivalents	**(11,846)**	7,907
Cash and cash equivalents at end of period	**605,306**	512,468

The notes on pages 42 to 74 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2018

1 GENERAL INFORMATION

Nexteer Automotive Group Limited (the **Company**) was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under the Companies Law (2016 Revision), of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company, together with its subsidiaries (collectively referred to as the **Group**), are principally engaged in the design and manufacture of steering and driveline systems, Advanced Driver Assist Systems (**ADAS**) and Automated Driving (**AD**) and components for automobile manufacturers and other automotive-related companies. The Group's primary operations are in the United States of America (**USA** or **US**), Mexico, Poland and the People's Republic of China (**China**) and are structured to supply its customers globally. The principal markets for the Group's revenue are North America, Europe and China.

The Company's directors regard Aviation Industry Corporation of China, Ltd. (**AVIC**), a company established in China, as being the ultimate holding company of the Company.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since October 7, 2013 (the **Listing**).

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved by the Board of Directors of the Company (the **Board**) for issue on August 15, 2018.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting." This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**).

3 ACCOUNTING POLICIES

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements.

3 ACCOUNTING POLICIES (Continued)

New/revised standards, amendments to standards and interpretations

The Group adopts the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2018.

IFRS 15	Revenue from contracts with customers
IFRS 9	Financial instruments
IFRIC Interpretation 22	Foreign currency transactions and advance consideration

In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers, which replaced IAS 18 Revenue and IAS 11 Construction Contracts, and their related International Financial Reporting Interpretations Committee (**IFRIC**) Interpretations. The Group adopted this new standard effective January 1, 2018 and applied it to all contracts using the modified retrospective method to prepare the condensed consolidated interim financial information. The cumulative effect of initially applying the new revenue standard was recognised as an adjustment to the opening balance of retained earnings as at January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The impact of adoption of the new standard is expected to be immaterial to the Group's revenue and net income on an ongoing basis.

Revenue is recognised when performance obligations under the terms of a contract are satisfied, which generally occurs with the transfer of control of the Group's products. For most of the Group's products, transfer of control occurs upon shipment or delivery, however, a limited number of the Group's customer arrangements for certain components with no alternative use provide it with the right to payment during the production process. As a result, for these limited arrangements, revenue is recognised as goods are produced and control transfers to the customer. The Group recorded a transition adjustment as at January 1, 2018, which increased retained earnings by US$0.4 million related to these arrangements.

The cumulative effect of the changes made to the Group's condensed consolidated balance sheet as at January 1, 2018 for the adoption of IFRS 15 were as follows:

	Balances as at December 31, 2017 US$'000 (Audited)	Adjustments due to IFRS 15 US$'000 (Unaudited)	Balances as at January 1, 2018 US$'000 (Unaudited)
Balance Sheet			
Assets			
Inventories	241,257	(2,882)	238,375
Other receivables and prepayments	101,786	3,411	105,197
Liabilities			
Current income tax liabilities	14,603	123	14,726
Equity			
Retained earnings	1,186,077	406	1,186,483

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2018

3 ACCOUNTING POLICIES (Continued)

New/revised standards, amendments to standards and interpretations (Continued)

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our condensed consolidated income statement and balance sheet was as follows:

For the six months ended June 30, 2018 (Unaudited)	As Reported US$'000	Transactions without Adoption of IFRS 15 US$'000	Effect of Changes higher/(lower) US$'000
Income Statement			
Revenue	2,046,982	2,041,239	5,743
Cost of sales	(1,677,403)	(1,672,618)	4,785
Operating profit	239,819	238,861	958

As at June 30, 2018 (Unaudited)	As Reported US$'000	Balances without Adoption of IFRS 15 US$'000	Effect of Changes higher/(lower) US$'000
Balance Sheet			
Assets			
Inventories	250,111	257,859	(7,748)
Other receivables and prepayments	93,865	84,629	9,236
Liabilities			
Current income tax liabilities	14,079	13,881	198
Equity			
Retained earnings	1,386,071	1,384,781	1,290

IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost, and introduces new rules for hedge accounting and a new impairment model for financial assets. For financial liabilities, the standard retains most of the requirements of IAS 39, Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 did not have any significant financial effect on the condensed consolidated interim financial information.

3 ACCOUNTING POLICIES (Continued)

New/revised standards, amendments to standards and interpretations (Continued)

IFRIC Interpretation 22 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The adoption of IFRIC Interpretation 22 did not have any significant financial effect on the condensed consolidated interim financial information.

The following new standards, amendments to standards, and interpretations relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRIC Interpretation 23	Uncertainty over income tax treatments	January 1, 2019
Amendment to IAS 12	Income taxes	January 1, 2019
Amendment to IAS 23	Borrowing costs	January 1, 2019

Management is in the process of assessing their related impacts to the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2017.

(a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to European euro (**Euro**), Polish zloty, Mexican peso and Chinese renminbi (**RMB**).

As at each period end, excluding transactional foreign exchange differences, if the US dollar strengthened by 10% against the Euro and RMB with all other variables held constant, the equity and post-tax result for each period would have decreased mainly as a result of foreign exchange differences on translation of Euro and RMB denominated assets and liabilities:

	Equity US$'000	Post-tax Result US$'000
As at and for the six months ended June 30, 2018 (Unaudited)		
Euro	**38,983**	**1,975**
RMB	**52,760**	**10,901**
As at and for the six months ended June 30, 2017 (Unaudited)		
Euro	35,380	1,582
RMB	41,474	9,134

A weakening of the US dollar by 10% against the above currencies would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

Management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and prepayments, trade payables, other payables and accruals and current borrowings approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The Group had no financial assets or liabilities measured at fair value as at June 30, 2018 and December 31, 2017. The different levels are defined as follows:

- The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in **Level 1**.

- The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in **Level 2**.

- If one or more of the significant inputs is not based on observable market data, the instrument is included in **Level 3**.

There were no transfers of financial assets between fair value hierarchy classifications.

6 REVENUE AND SEGMENT INFORMATION

6.1 Revenue from contract with customers

The Company contracts with customers, which are generally automotive manufacturers and automotive original equipment manufacturers, to sell steering and driveline systems and components. In connection with these contracts the Company also provides tooling and prototype parts. The Company does not have material significant payment terms as payment is received at or shortly after the point of sale.

Performance Obligations

The following summarises types of performance obligations identified in a contract with a customer.

Products	Nature, timing of satisfaction of performance obligations, and payment terms.
Production Parts	The Company recognises the majority of revenue for production parts at a point in time upon shipment to the customer and transfer of the title and risk of loss under standard commercial terms. A limited number of our customer arrangements for our customised products with no alternative use provide us with the right to payment during the production process. These revenues are recognised over time as performance obligations under the terms of a contract are satisfied. The amount of revenue recognised is based on the purchase order price. Customers typically pay for the product/prototype based on customary business practices with payment terms averaging 47–60 days.
Tooling	The Company's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Customers typically pay for the tooling in a lump sum upon acceptance. The Company recognises revenue for tooling over time as it satisfies its performance obligation. Revenue is recognised to the extent of costs incurred to date for reimbursable tooling from customers.
Engineering Design and Development/ Prototypes	The Company also recognises non-production related engineering design and development revenue, which is normally related to ADAS, performance improvement and business pursuit. Revenue is recognised to the extent of reimbursable engineering expense incurred to date.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.1 Revenue from contract with customers (Continued)

Contract balances

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on production parts, tooling and engineering design and development/prototype. The contract assets are reclassified into the receivables balance when the rights to receive payment become unconditional. There have been no impairment losses recognised related to contract assets arising from the Company's contracts with customers. Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a contract. Recognition of revenue is therefore deferred until the related performance obligations are satisfied in the future. The following table provides information about contract assets and contract liabilities from contracts with customers.

	Contract assets[i] US$'000	Contract liabilities, Current[ii] US$'000	Contract liabilities, Non-Current[ii] US$'000
Balances as at December 31, 2017 (Audited)	–	–	–
Balances as at June 30, 2018 (Unaudited)	**38,779**	**(31,393)**	**(79,772)**
Increase/(decrease)	38,779	(31,393)	(79,772)

(i) Contract assets are recorded within other receivables and prepayments as at June 30, 2018.

(ii) Contract liabilities are recorded within deferred revenue and other payables and accruals as at June 30, 2018.

6.2 Segment information

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Chief Executive Officer (**CEO**), in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's CEO reviews internal management reports on a quarterly basis.

The Group classifies its businesses into three reportable segments: North America, Asia Pacific and EMEA & SA. All of the Group's operating segments typically offer the same steering and driveline products. The "Others" category represents parent company activities of the Company and activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

The key performance indicators that the Group uses to monitor segment operations are:

- Operating income before interest, taxes, depreciation and amortisation and share of results of joint ventures (**Adjusted EBITDA**).
- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Information about reportable segments and reconciliations of reportable segment revenues is as follows:

	North America US$'000	Asia Pacific US$'000	EMEA & SA US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2018 (Unaudited)					
Total revenue	**1,360,459**	**432,590**	**293,933**	**–**	**2,086,982**
Inter-segment revenue	**(17,566)**	**(14,345)**	**(8,089)**	**–**	**(40,000)**
Revenue from external customers	**1,342,893**	**418,245**	**285,844**	**–**	**2,046,982**
Adjusted EBITDA	**219,524**	**87,660**	**28,793**	**(4,973)**	**331,004**
For the six months ended June 30, 2017 (Unaudited)					
Total revenue	1,327,497	440,070	257,381	–	2,024,948
Inter-segment revenue	(20,305)	(24,482)	(6,074)	–	(50,861)
Revenue from external customers	1,307,192	415,588	251,307	–	1,974,087
Adjusted EBITDA	218,722	89,153	21,755	(2,740)	326,890

Revenue between segments are carried out at arm's length. The revenue from external parties reported to the Group's CEO is measured in a manner consistent with that in the interim condensed consolidated income statement.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

	North America US$'000	Asia Pacific US$'000	EMEA & SA US$'000	Others US$'000	Total US$'000
As at June 30, 2018 (Unaudited)					
Total assets	**1,864,062**	**807,887**	**371,932**	**(50,341)**	**2,993,540**
Total liabilities	**(857,089)**	**(247,784)**	**(175,271)**	**(165,704)**	**(1,445,848)**
As at December 31, 2017 (Audited)					
Total assets	1,824,224	812,613	383,489	(40,943)	2,979,383
Total liabilities	(952,741)	(290,998)	(164,586)	(130,343)	(1,538,668)

Reconciliations of reportable segment Adjusted EBITDA to those as determined under IFRS are as follows:

	For the six months ended June 30,	
	2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**331,004**	326,890
Depreciation and amortisation expenses	**(91,185)**	(86,742)
Finance costs, net	**(6,418)**	(13,236)
Share of loss of joint ventures, net	**(1,974)**	(270)
Profit before income tax	**231,427**	226,642

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

In presenting information on the basis of geography, segment revenue is based on the geographical location of subsidiaries and segment assets and liabilities are based on geographical location of the assets.

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the six months ended June 30, 2018, the North America segment and Asia Pacific segment recognised US$11,243,000 (six months ended June 30, 2017: US$11,977,000) and US$1,164,000 (six months ended June 30, 2017: US$409,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2018 and 2017, respectively, is as follows:

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
North America:		
US	**890,331**	885,614
Mexico	**452,562**	421,578
Asia Pacific:		
China	**388,549**	382,806
Rest of Asia Pacific	**29,696**	32,782
EMEA & SA:		
Poland	**246,850**	217,561
Rest of EMEA & SA	**38,994**	33,746
	2,046,982	1,974,087

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2018 and December 31, 2017, respectively, is as follows:

	As at June 30, 2018	As at December 31, 2017
	US$'000	US$'000
	(Unaudited)	(Audited)
North America:		
US	**845,871**	805,790
Mexico	**212,370**	201,841
Asia Pacific:		
China	**214,433**	226,993
Rest of Asia Pacific	**19,355**	14,471
EMEA & SA	**158,084**	162,025
	1,450,113	1,411,120

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Disaggregation of revenue

	North America US$'000	Asia Pacific US$'000	EMEA & SA US$'000	Total US$'000
For the six months ended June 30, 2018 (Unaudited)				
EPS	**744,911**	**307,837**	**268,345**	**1,321,093**
CIS	**315,128**	**17,249**	**4,615**	**336,992**
HPS	**69,476**	**4,236**	**11,230**	**84,942**
DL	**213,378**	**88,923**	**1,654**	**303,955**
Total	**1,342,893**	**418,245**	**285,844**	**2,046,982**

	North America US$'000	Asia Pacific US$'000	EMEA & SA US$'000	Total US$'000
For the six months ended June 30, 2017 (Unaudited)				
EPS	724,162	300,058	232,961	1,257,181
CIS	318,406	12,219	3,883	334,508
HPS	74,974	6,090	11,749	92,813
DL	189,650	97,221	2,714	289,585
Total	1,307,192	415,588	251,307	1,974,087

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Revenue by type

	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Production Parts	**2,025,808**	1,958,290
Tooling	**11,172**	15,797
Engineering Design and Development/Prototypes	**10,002**	–
Total	**2,046,982**	1,974,087

Revenues from customers amounting to 10 percent or more of the Group's revenue are as follows and reported in all segments:

	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
GM	**862,451**	863,882
Customer A	**432,564**	407,741
Customer B	**285,046**	269,480
	1,580,061	1,541,103

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Land use rights US$'000	Intangible assets US$'000
Six months ended June 30, 2018 (Unaudited)			
Net book amount as at January 1, 2018	**884,118**	**1,500**	**494,530**
Additions	**67,145**	**–**	**74,362**
Disposals	**(1,147)**	**–**	**–**
Depreciation and amortisation	**(52,855)**	**(22)**	**(38,308)**
Exchange differences	**(9,713)**	**(20)**	**(662)**
Net book amount as at June 30, 2018	**887,548**	**1,458**	**529,922**
Six months ended June 30, 2017 (Unaudited)			
Net book amount as at January 1, 2017	779,134	568	449,708
Additions	80,896	891	55,805
Disposals	(1,916)	–	–
Depreciation and amortisation	(47,004)	(22)	(39,716)
Exchange differences	14,336	28	569
Net book amount as at June 30, 2017	825,446	1,465	466,366

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest for the period ended June 30, 2018 were US$74,221,000 (six months ended June 30, 2017: US$55,804,000).

Certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements. The carrying amounts of property, plant and equipment pledged as collateral were US$37,717,000 as at June 30, 2018 (December 31, 2017: US$549,506,000).

8 TRADE RECEIVABLES

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Trade receivables, gross	**589,007**	612,056
Less: provision for impairment	**(1,246)**	(1,257)
	587,761	610,799

Credit terms range primarily from 30 to 90 days after the invoice date depending on the customer and the geographical region. Ageing analysis of trade receivables based on invoice date is as follows:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
0 to 30 days	**364,351**	328,761
31 to 60 days	**197,246**	235,812
61 to 90 days	**15,211**	23,490
Over 90 days	**12,199**	23,993
	589,007	612,056

Trade receivables of US$22,186,000 were past due but not impaired as at June 30, 2018 (December 31, 2017: US$29,367,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Overdue up to 30 days	**12,535**	20,568
Overdue 31 to 60 days	**2,817**	858
Overdue 61 to 90 days	**1,722**	933
Overdue over 90 days	**5,112**	7,008
	22,186	29,367

The carrying amounts of trade receivables pledged as collateral were US$359,816,000 as at June 30, 2018 (December 31, 2017: US$325,954,000).

9 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Amounts reimbursable from customers on tools[i]	**–**	35,996
Other taxes recoverable[ii]	**38,638**	42,101
Prepaid assets	**25,775**	29,278
Reimbursable engineering expenses [i]	**–**	4,051
Deposits to vendors	**5,839**	7,324
Contract assets [i]	**38,779**	–
Others	**2,858**	2,987
	111,889	121,737
Less: non-current portion	**(18,024)**	(19,951)
Current portion	**93,865**	101,786

(i) As stated in notes 3 and 6, under IFRS 15, the Company has some contracts with customers that require revenue to be recognised over time as costs are incurred. Contract assets balance represents rights to consideration for work completed but not billed as at June 30, 2018, related to production parts, reimbursable customer tooling and engineering services. Prior to the adoption of IFRS 15, the costs were recorded separately as inventories, amounts reimbursable from customers on tools and reimbursable engineering expenses, respectively.

(ii) Balance mainly represents value-added tax recoverable. It also includes certain incentives granted to the Group for investing capital and maintaining jobs in the State of Michigan, USA.

10 SHARE CAPITAL

	Number of ordinary shares	**Amount**
Issued and fully paid:		
HK$0.10 each as at December 31, 2017	2,504,621,083	HK$250,462,108
Exercise of share options	527,890	HK$52,789
HK$0.10 each as at June 30, 2018	2,505,148,973	HK$250,514,897

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2018

11 BORROWINGS

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Non-current		
Borrowings from banks		
– secured (note (1.a))	**6,392**	43,607
– unsecured (note (1.b))	**91,104**	121,612
Notes, net of discounts (note (1.d))	**250,000**	250,000
Finance lease obligations (note (1.e))	**2,460**	1,767
Debt issuance costs (note (1.f))	**(3,206)**	(2,841)
	346,750	414,145
Current		
Borrowings from banks		
– secured, others (note (1.c))	**3**	690
Add: current portion of		
– non-current secured borrowings from banks (note (1.a))	**4,617**	15,482
– non-current unsecured borrowings from banks (note (1.b))	**61,000**	61,000
– finance lease obligations (note (1.e))	**1,449**	1,006
– debt issuance costs (note (1.f))	**(1,404)**	(1,142)
	65,665	77,036
Total borrowings	**412,415**	491,181

1. Notes:

(a) This primarily includes:

(i) Long-term borrowings of US$ nil as at June 30, 2018 (December 31, 2017: US$44,643,000) which bore interest at LIBOR plus 1.75%–2.25% per annum and was scheduled to mature in 2019. This was secured by property, plant and equipment, trade receivables and inventories. In February 2018, the Company repaid the remaining balance of US$42,857,000 and simultaneously refinanced its US based revolving line of credit (see (c)(i) below).

(ii) Long-term borrowings of US$11,009,000 as at June 30, 2018 (December 31, 2017: US$13,569,000) which bear interests at EURIBOR plus 3.1% and matures in December 2020. Secured by property and plant.

(iii) Long-term borrowings of US$ nil as at June 30, 2018 (December 31, 2017: US$877,000) borrowed by a subsidiary of the Group which bore interest at LIBOR plus 2.63% per annum and was secured by property, plant and equipment, trade receivables and inventories. This was repaid in January 2018.

11 BORROWINGS (Continued)

1. Notes: (Continued)

(b) This primarily includes:

(i) Bank loans totaling US$151,500,000 as at June 30, 2018 (December 31, 2017: US$182,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd., (indirect shareholders of Pacific Century Motors, Inc. which is an intermediate holding company of the Company), bear interest at LIBOR plus 3.5% per annum and due in semi-annual installments of US$30,500,000, which commenced in June 2014 and mature in October 2020 with the last repayment to be made then.

(ii) Long-term borrowings of US$604,000 (December 31, 2017: US$612,000) which bears interest at 4.75% and matures in August 2020.

(c) This primarily includes:

(i) A revolving line of credit of US$ nil as at June 30, 2018 (December 31, 2017: US$ nil) with availability to borrow up to US$325,000,000 obtained by a subsidiary of the Group which bears interest at LIBOR plus a range of 1.25% to 1.75% per annum, depending on borrowing type, matures in February 2023 and is secured by trade receivables and inventories. In February 2018, the Company repaid the remaining balance of its US based term loan (see (a)(i) above) and simultaneously refinanced its US based revolving line of credit, extending its borrowing capacity by US$75,000,000, securing less restrictive covenants and collateral requirements and extending maturity to 2023 from 2019. The Company recognised a loss of US$289,000 related to the refinance.

(ii) A factoring facility of US$ nil (December 31, 2017: US$ nil) obtained by a subsidiary of the Group, which bears interest at EURIBOR plus 1.05% per annum and is secured by trade receivables with availability to borrow up to US$46,249,000, which matures in December 2018.

(iii) A revolving line of credit of US$3,000 as at June 30, 2018 (December 31, 2017: US$690,000) with availability to borrow an additional US$2,902,000 borrowed by a subsidiary of the Group which bears interest at the Reserve Bank of India Base Rate plus 2.5% per annum, is secured by property, plant and equipment, trade receivables and inventories and matures in July 2019.

(d) Notes of US$250,000,000 in aggregate principal amount of 5.875% senior unsecured notes maturing in November 2021.

11 BORROWINGS (Continued)

1. Notes: (Continued)

(e) Finance lease obligations:

(i) Gross finance lease liabilities – minimum lease payments:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Within 1 year	**1,686**	1,173
Between 1 and 2 years	**1,413**	1,074
Between 2 and 5 years	**1,229**	816
	4,328	3,063
Less: future finance charges	**(419)**	(290)
	3,909	2,773

(ii) Present value of finance lease obligations:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Within 1 year	**1,449**	1,006
Between 1 and 2 years	**1,285**	985
Between 2 and 5 years	**1,175**	782
	3,909	2,773

(f) The Group capitalised debt issuance costs related to various borrowing as noted above. Amortisation of the debt issuance costs is recognised in the income statement as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$4,610,000 as at June 30, 2018 (December 31, 2017: US$3,983,000).

11 BORROWINGS (Continued)

2. Maturity of borrowings

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Within 1 year	**65,665**	77,036
Between 1 and 2 years	**65,142**	99,171
Between 2 and 5 years	**281,608**	314,974
Over 5 years	**–**	–
	412,415	491,181

3. The carrying amount and fair value of non-current borrowings are as follows:

	Carrying amount		Fair value	
	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Bank borrowings	**95,992**	164,438	**98,855**	160,481
Other borrowings	**248,298**	247,940	**255,286**	258,820
Finance lease obligations	**2,460**	1,767	**2,642**	1,889
	346,750	414,145	**356,783**	421,190

The fair values of bank borrowings are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates ranged from 2.14% to 4.26% as at June 30, 2018 (December 31, 2017: 3.05% to 5.55%), depending on the type of the debt and were within Level 2 of the fair value hierarchy.

The fair values of other borrowings are based on quoted prices in active markets and were within Level 1 of the fair value hierarchy.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2018

11 BORROWINGS (Continued)

4. Weighted average annual interest rates

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Bank borrowings	**6.1%**	5.4%
Notes	**5.9%**	5.9%

5. Currency denomination

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
US$	**400,799**	475,433
Euro	**11,009**	14,446
RMB	**604**	612
Others	**3**	690
	412,415	491,181

12 PROVISIONS

	As at June 30, 2018 (Unaudited)			As at December 31, 2017 (Audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	**203**	**–**	**203**	1,004	–	1,004
Litigation (note (a))	**22**	**342**	**364**	20	306	326
Environmental liabilities (note (b))	**150**	**12,012**	**12,162**	150	12,033	12,183
Warranties (note (c))	**13,487**	**55,996**	**69,483**	21,964	64,194	86,158
Decommissioning (note (d))	**–**	**8,042**	**8,042**	–	7,982	7,982
	13,862	**76,392**	**90,254**	23,138	84,515	107,653

12 PROVISIONS (Continued)

Movement of provisions is as follows:

	Restructuring US$'000	Litigation (note (a)) US$'000	Environmental liabilities (note (b)) US$'000	Warranties (note (c)) US$'000	Decom-missioning (note (d)) US$'000	Other US$'000	Total US$'000
Six months ended June 30, 2018 (Unaudited)							
As at January 1, 2018	**1,004**	**326**	**12,183**	**86,158**	**7,982**	**–**	**107,653**
(Reversals)/additions	**–**	**382**	**–**	**(190)**	**183**	**–**	**375**
Payments	**(780)**	**(292)**	**(10)**	**(15,653)**	**(106)**	**–**	**(16,841)**
Exchange differences	**(21)**	**(52)**	**(11)**	**(832)**	**(17)**	**–**	**(933)**
As at June 30, 2018	**203**	**364**	**12,162**	**69,483**	**8,042**	**–**	**90,254**
Six months ended June 30, 2017 (Unaudited)							
As at January 1, 2017	970	1,530	12,209	82,001	7,565	1,500	105,775
(Reversals)/additions	(28)	1,443	–	12,865	188	(1,500)	12,968
Payments	–	(1,472)	(12)	(6,446)	–	–	(7,930)
Exchange differences	63	61	(1)	1,547	36	–	1,706
As at June 30, 2017	1,005	1,562	12,196	89,967	7,789	–	112,519

Notes:

a. Litigation

The balance represents a provision primarily for certain labour claims brought against the Group. Litigation is subject to many uncertainties and the outcome of the individual litigated matters is not predictable with assurance. Based on currently available information, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the Group.

b. Environmental liabilities

A provision is recognised for remediation costs to be incurred for the restoration of the manufacturing sites upon the initial recognition of the related assets.

c. Warranty

A provision is recognised for warranty costs associated with products sold to the customer principally at the time of sale or when it is determined that such obligations are probable and can be reasonably estimated.

(Reversals)/additions of warranties include reversals of (US$11,614,000) and additions of US$11,424,000 for the six months ended June 30, 2018 (June 30, 2017: (US$1,318,000) and US$14,183,000).

d. Decommissioning

This represents asset retirement obligations at certain of the Group's manufacturing sites.

13 DEFERRED REVENUE

The Group periodically receives upfront consideration from customers in connection with engineering, prototyping and pre-production programme-specific activities. These revenue amounts are deferred and recognised over the life of the related programme, as production part revenue, which typically ranges between four and seven years. The carrying amount of deferred revenue is as follows:

	As at June 30, 2018 (Unaudited)			As at December 31, 2017 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**27,613**	**79,772**	**107,385**	29,819	82,082	111,901

Movement of deferred revenue is as follows:

	For the six months ended June 30,	
	2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
As at January 1	**111,901**	117,762
Additions	**7,980**	5,704
Amortisation	**(12,407)**	(12,386)
Exchange differences	**(89)**	66
	107,385	111,146

14 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
0 to 30 days	**275,986**	292,502
31 to 60 days	**210,294**	209,771
61 to 90 days	**65,345**	48,782
91 to 120 days	**26,232**	22,183
Over 120 days	**14,773**	9,112
	592,630	582,350

15 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Accrued expenses	**110,148**	127,776
Deposits from customers	**2,767**	3,735
Other taxes payable	**5,281**	3,964
Contract liabilities	**3,780**	–
Others	**5,016**	7,619
	126,992	143,094
Less: non-current portion	**(9,217)**	(4,727)
Current portion	**117,775**	138,367

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2018

16 OTHER GAINS (LOSSES), NET

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Foreign exchange gains (losses)	**312**	(2,116)
Gains (losses) on disposal of property, plant and equipment	**229**	(302)
Others	**1,642**	1,381
	2,183	(1,037)

17 EXPENSE BY NATURE

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Raw materials used	**1,204,318**	1,145,915
Changes in inventories of finished goods and work-in-progress	**(7,144)**	(7,783)
Employee labour benefit costs	**292,383**	276,705
Temporary labour costs	**60,672**	58,932
Restructuring costs (note 12)	**–**	(28)
Supplies and tools	**102,348**	101,722
Depreciation on property, plant and equipment (note 7)	**52,855**	47,004
Amortisation on		
– land use rights (note 7)	**22**	22
– intangible assets (note 7)	**38,308**	39,716
Impairment charges (reversal of provisions) on		
– inventories	**2,088**	433
– receivables	**(11)**	56
Operating lease expenses	**7,636**	8,051
Auditors' remuneration		
– Audit services	**586**	734
Others	**55,285**	61,423
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,809,346**	1,732,902

18 SHARE-BASED PAYMENTS

Pursuant to a shareholders' resolution passed on June 5, 2014, the Company adopted a share option scheme (the **Scheme**). The Scheme will remain in force for a period of 10 years commencing from June 5, 2014 and the period within which the option may be exercised must expire no later than 10 years from the relevant date of grant.

The subscription price for the shares under the option to be granted will be determined by the Board and will be the higher of: (a) the closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company.

The options will be vested and become exercisable gradually after the grantees complete a period of service of 1 to 3 years from the date of grant and subject to the Group achieving its performance targets.

On May 29, 2017, the Board approved a fourth grant of share options under the Scheme, pursuant to which options to subscribe for 11,919,310 shares, representing approximately 0.476% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$11.620 per share.

On May 30, 2018, the Board approved a fifth grant of share options under the Scheme, pursuant to which options to subscribe for 12,972,770 shares, representing approximately 0.518% of the issued share capital of the Company as at the date of grant, were granted to 15 selected participants at the exercise price of HK$12.456 per share.

18 SHARE-BASED PAYMENTS (Continued)

Movements in the number of share options outstanding and their average exercise prices are as follows:

	Average exercise price (per share) HK$	Outstanding options (thousands)
As at January 1, 2017	7.199	17,791
Granted	11.620	11,919
Exercised	11.079	(901)
Forfeited	7.520	(1,755)
As at June 30, 2017 (Unaudited)	9.180	27,054
Exercisable as at June 30, 2017	6.877	9,149
As at January 1, 2018	**9.384**	**21,645**
Granted	**12.456**	**12,973**
Exercised	**7.452**	**(528)**
As at June 30, 2018 (Unaudited)	**10.583**	**34,090**
Exercisable as at June 30, 2018	**8.455**	**12,329**

Share options outstanding and not yet exercisable at the end of the period have the following vesting dates and exercise prices:

	Average exercise price (per share) HK$	Outstanding options (thousands)
May 28, 2019	11.620	3,505
May 29, 2019	12.456	4,324
June 9, 2019	7.584	1,778
May 28, 2020	11.620	3,505
May 29, 2020	12.456	4,324
May 29, 2021	12.456	4,324

18 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$4.45 per option. The significant inputs into the model were share price at the measurement date of HK$11.960, exercise price of HK$12.456, volatility of 35%, dividend yield of 1.5%, an expected term of 8.79 years and an annual risk-free interest rate of 2.14%. Considering there is limited information on the historical share price of the Company, the Group referred to benchmarked companies' historical share prices, in the same industry, to determine the historical volatility.

The fair value of the share options charged to the interim condensed consolidated income statement was US$1,259,000 during the six months ended June 30, 2018 (six months ended June 30, 2017: US$1,231,000).

19 FINANCE COSTS, NET

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**3,655**	1,235
Finance costs		
Interest on bank borrowings	**5,928**	7,508
Interest on notes	**7,344**	7,344
	13,272	14,852
Interest on finance leases	**172**	129
Other finance costs	**3,737**	4,226
	17,181	19,207
Less: amount capitalised in qualifying assets	**(7,108)**	(4,736)
	10,073	14,471
Finance costs, net	**6,418**	13,236

20 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**19,010**	42,229
Deferred income tax charges	**10,074**	1,859
	29,084	44,088

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income (loss) for the six months ended June 30, 2018 and 2017. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about the realisability of deferred tax assets and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

The effective income tax rates of 12.57% and 19.45% for the six months ended June 30, 2018 and 2017, respectively, vary from the statutory rates primarily due to tax credits, tax holidays and foreign rate differentials in certain jurisdictions. The decrease in the effective tax rate of 12.57% for the six months ended June 30, 2018 from 19.45% for the six months ended June 30, 2017 is primarily the result of the reduction in the US corporate income tax rate to 21% from 35%, which became effective January 2018.

21 EARNINGS PER SHARE

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (US$'000)	**199,605**	179,686
Weighted average number of ordinary shares in issue (thousands)	**2,505,133**	2,502,355
Basic earnings per share (in US$)	**0.08**	0.07

21 EARNINGS PER SHARE (Continued)

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the Scheme that are vested as at June 30, 2018. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the six months ended June 30, 2018) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2018 and 2017, the details are within the table below.

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**199,605**	179,686
Weighted average number of ordinary shares in issue (thousands)	**2,505,133**	2,502,355
Adjustment for share options (thousands)	**5,044**	3,770
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,510,177**	2,506,125
Diluted earnings per share (in US$)	**0.08**	0.07

22 DIVIDEND

A dividend of approximately US$69,954,000 relating to the Group's year ended December 31, 2017 earnings was paid during the six months ended June 30, 2018 (six months ended June 30, 2017: US$59,856,000). The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: US$nil).

23 COMMITMENTS

a. Capital commitments

The Group has capital commitments of US$239,263,000 as at June 30, 2018 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2017: US$142,543,000).

b. Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Unaudited)
Up to 1 year	**12,558**	12,849
1 to 5 years	**36,395**	39,668
Over 5 years	**19,334**	23,106
	68,287	75,623

24 RELATED PARTY TRANSACTIONS

a. Transactions with Yubei Steering System Co., Ltd. (Yubei Steering), an associate of AVIC

	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Purchase of goods	**226**	3,803

b. Transactions with joint ventures

Nexteer (China) Holding Co., Ltd. (**Nexteer China Holding**) (a direct, wholly-owned subsidiary of the Company) holds a 50% ownership interest in a joint venture, Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**) in Chongqing, China. The joint venture was formed to manufacture and sell steering parts, and the remaining 50% interest is held by Chongqing Jianshe Industry (Group) Co., Ltd.

In March 2017, Nexteer China Holding signed a joint venture agreement with Dongfeng Motor Parts and Components (Group) Co., Ltd. to form Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**). Located in Wuhan, China, the joint venture, equally owned by both parties, will design and manufacture EPS systems for Dongfeng Motor Group Co., Ltd. and its affiliated companies.

In January 2017, Nexteer Automotive Corporation (an indirect, wholly-owned subsidiary of the Company) agreed to form a joint venture with Continental Automotive Systems, Inc. Located in Grand Blanc, USA, the joint venture, CNXMotion, LLC (**CNXMotion**), is focused on integrating lateral and longitudinal control for mixed mode and automated driving applications.

As at June 30, 2018 the Group's carrying amount of its investment in joint ventures is US$13,161,000 including US$10,999,000, US$2,162,000 and US$nil related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (December 31, 2017: US$10,667,000, US$354,000 and US$nil). For the six months ended June 30, 2018, the Group's share of (loss) income from the joint ventures amount to (US$1,974,000), including US$332,000, (US$1,001,000) and (US$1,305,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (six months ended June 30, 2017: (US$270,000), US$nil, US$nil).

The following table sets forth the transactions between the Group and their joint ventures.

	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Sale of services[i]	**14,982**	8,798
Purchase of services	**8,118**	112

i. Services include engineering services, rent and other fees.

24 RELATED PARTY TRANSACTIONS (Continued)

c. **Key management compensation**

The remunerations of the Chief Executive Officer, directors and other key management members were as follows:

	For the six months ended June 30,	
	2018	2017
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Basic salaries, other allowances and benefits	**2,809**	2,545
Bonuses	**3,903**	3,218
Others	**570**	465
	7,282	6,228

These remunerations are determined based on the performance of individuals and market trends.